A STUDY AND AN ANALYSIS OF TRINITY BEVERAGES

SUBMITTED BY

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UNDER THE GUIDANCE OF

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DECLARATION

I hereby declare that the project work entitled “A Study and an Analysis of Trinity Beverages” submitted by me, Mr. Aliston Fernandes to Goa Business School, Goa University, Taleigao Plateau-Goa is entirely based on my own study, findings, and observations. I have not submitted this project to any other institution or university.

Date: 30th March 2023

Place: Goa Velha

Aliston Fernandes

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CHAPTER 1: OVERVIEW AND HISTORY

1.1 BEVERAGE SECTOR OVERVIEW

The term ‘beverage’ usually refers to any drink other than water. It is derived from the old French word ‘bevrage’ based on the Latin word ‘bibere’ which translates to ‘to drink.’ The Beverage Industry consists of two major categories namely ‘Non-Alcoholic Beverages and Alcoholic Beverages. The first category consists of soft drinks, fruit juices, soda, tea, coffee, and alike. While the second category consists of distilled spirits, wines, brews, etc. Through this study we will be observing Trinity Beverages which deals with the Manufacturing of some Non-Alcoholic Beverages.

Soft drinks are the biggest pillar on which the business of non-alcoholic drinks rests. Business-wise, the segment is characterized by multinational brand players that mainly focus on product development and marketing and by regional bottlers that license their brands for distribution in selected areas. Strategically, the industry has witnessed both a trend toward streamlining operations and a hunt for novel products that could fill a niche.

The soft drink market segment consists of non-alcoholic water-based beverages with added sugar. These include carbonated drinks such as cola and soda, non-carbonated drinks such as fruit nectar, fruit juice drinks, flavoured water and ready-to-drink (RTD) tea and coffee, energy drinks, and sports drinks. The soft drink industry has undergone many changes with respect to consumer needs, wants and Government policies. This formed the basis for different innovations in packaging such as a variety of unique bottles, cans, tetra packs and pet bottles in a variety of flavours.

1.2 HISTORY OF THE SOFT DRINK INDUSTRY IN INDIA

The Indian beverage industry has come very far from the days when tea was the ‘holy’ beverage of the commoners, coffee was the ‘sophisticated’ beverage of the upper class, Cola was the ‘cool’ beverage of the youngsters and hard drinks were the ‘man’s’ thing. Today, right from whiskey, wine & cocktails to health drinks & powdered juices, the Indian beverage market is flooded with a plethora of options & variants for alcoholic as well as non-alcoholic lovers with all kinds of tastes & preferences.

The year 1837 is when it all began. The first-ever soda plant was set up by a chemist that went by the name of Henry Rogers. They sold nothing but carbonated water or as we call it today, Club soda. In 1865, a new soda- Pallonji’s soda was launched with its raspberry flavoured fizzy beverage which was an instant success. In 1884, Ardeshir’s soda was launched which mimicked Pallonji’s soda and was also successful. Meanwhile, in 1886 in the USA, a major future competition was coming up. Coca-Cola launched its first-ever cola drink that was loved by Americans. It had a monopoly in terms of cola beverages. In 1889, a repeat was created in duke’s soda that was launched with similar flavouring and was also a success.

In 1893 another major cola brand – Pepsi was launched which was a major threat to Coca-Cola.

Meanwhile in India, Goli soda/Banta was gaining momentum and was becoming popular as well.

Moving onto Post Independence, Coca-Cola and Pepsi who had already established themselves in the international market were looking to enter India. In 1949, Parle wanted a piece of the soft drinks market and launched India's first-ever cola beverage named Gluco-cola which was later changed to Parle-Cola. But as Coco-Cola had trademarked the beverage ‘cola’, Parle was not allowed to continue its production and it discontinued the beverage in 1951. Now, the market was all clear for Coca-Cola and Pepsi. In 1973, while Coca-Cola was losing its grip on the Indian market due to Government declared regulations that had reduced their market share, Parle was gaining momentum and in 1976 it launched a mango-flavoured soft drink – Maaza, that was an instant hit.

In 1977, there was a shift in political powers in the country and the new regime was focused on nationalism and promoting local products over foreign brands. The new government asked Coca-Cola to dilute its stake to 40% and also give up its secret formula if they wanted to continue in India which they didn’t do and hence had to leave the country. With the exit of Coca-Cola, Indians were still craving the sweet, fizzy, cola drink. The government of India saw this opportunity and launched its own cola brand named Double 7 (77) to mark the year of change. Parallelly, Pure Drinks who was the then Bottler for Coca-Cola saw this opportunity and started selling Campa-Cola. Campa-Cola’s branding, logo and taste was as close to Coca-Cola as one can get and Campa-Cola was successful to capture a decent amount of market share while Double 7 was a disaster. Simultaneously, Parle took this opportunity to make its own cola brand. They focused on making their own unique formulation made by local Indian spices and ingredients and launched a new Cola brand- Thumbs-Up. This new cola suited Indian taste buds more so than any other cola flavoured beverages and it was an instant hit. Now, there were two major rivals in the Cola Industry, Campa-Cola and Thums-Up.

For the next decade, Thums-up continued being the undisputed king of Cola industry. In this decade Parle spent aggressively on marketing to counter local brands like Torino, Sosyo, Thrill, etc. Towards the end of the 1980s, India was consuming a staggering 3 Billion bottles of soft drinks and it was way too tempting for Pepsi and it tried to enter the Indian market again. After a lot of debates in parliament, Pepsi was allowed to enter the Indian Market under the new economic policy. Pepsi signed a joint venture with State-owned Punjab Agro and Voltas which was owned by Tata. Pepsi had a 39% stake in this Joint Venture with an investment of $14 million. In 1990, Pepsi officially re-entered the Indian market after 28 years of absence. Coca-Cola also re-entered the Indian Market. Coca-Cola faced tough competition from Parle-owned Thums-up. Parle had 62 bottling plants. Out of these 62 plants only 4 were owned by parle and the rest 58 were franchises. Coca-Cola figured this flaw and lured these franchises to work with Coca-Cola instead of Parle. Parle lost its bottling plants and also its market share. Looking at this loss, parle agreed to sell its soft drink business to Coca-Cola in 1993 and overnight Coca-Cola became the Leader of the soft drink industry. Coca-Cola had plans to kill its main competition- Thums-up and replace it with their own Cola. They had already replaced Gold-Spot with Fanta and Limca with Sprite. The opening of the economy and liberalisation of economic policies led to many foreign multinationals starting ventures in India by buying over competitors.

1.3 HISTORY OF THE SOFT DRINK INDUSTRY IN GOA

The soft drink industry in Goa has a long and hoary past. From a time when Alaska was a prominent player, there were approximately 10 odd players too and they operated in various corners of the State of Goa.

Soft drinks in the State of Goa have always had a strong seasonality curve and business is boosted by warm climate. Usually, the summer season in Goa sees the rise in the demand for soft drinks.

As the summer season progresses in the state and it becomes hotter and hotter, more consumers reach out for soft drinks and bottled mineral water. Sales of soft drinks during this time of the year rises in tandem with the temperature. Local retailers and hotels in the state usually report higher sales and around 50 percent of the total sales during the year happens during the summer season. “From March the climate in Goa changes and the temperature increases. In warmer weather it is even more important to ensure that soft drinks, bottled mineral water are kept chilled and readily available as chilled availability is the key driver for soft drinks sales, water sales. These summer sales are very important to soft drink and fruit juice manufacturers. New flavours are launched during the summer months and supply is ramped up to meet the demand. In Goa sales spurt due to increased buying by residents as well as purchases by tourists.

The soft drink market in Goa runs into crores. The variety of drinks available in roadside kiosks, small grocery shops, department stores, etc is huge. At one point in time, several restaurants in Goa stopped buying national brands and replaced them with juices created in-house. There was also an emerging trend of flavoured bottle water which introduced an interesting phase in this industry in the small state of Goa. As history goes, the bottled water market in Goa began with approximately 60 to 70,000 cases per month with most of the sales taking place in one-litre and two-litre categories. The local brands were consumed by teenagers and children who couldn’t afford the foreign-branded products that ranged in the Rs 8-10 category. Then came a classic small operation stuck in changing times, the big boys, Coke and Pepsi came in and dramatically changed the game. According to local retailers these big companies aggressively began expanding their base in rural areas along with urban pockets. Now with these companies having introduced the 250 ml single-serve bottle, there was greater pressure on local operators. Bigger margins, and free fridges to store their products meant many retailers had shifted to stocking their products. Caterers an important business segment said were given anywhere between 20-25% margin by the big operators. Perhaps in that lies a tale, of large margins given by multinationals that continue to destroy local players. This is a tale sadly repeated all over the country too.

1.4 SOFT DRINK MARKET

At present, there are main 3 levels of competitors in this industry. The MNCs are at the top, followed by the national brands and lastly the local soft drink business which mainly operates within a particular state or sometimes even within a particular region. The Partnership Firm ‘Trinity Beverages’ comes under the last category of local soft drink manufacturers. The profitability in the local soft drink market has reduced drastically mainly due to an increase in the rising health consciousness of the consumers which has led to a decrease in sales. Many local manufacturers have already exited the markets and ventured into other businesses.

1.5 SOFTDRINK CONSUMER HABITS AND PRACTICES

The following are some notable end-consumer habits and practices: -

- Soft drinks come under the category of impulse purchase products; however, this attitude of impulse buying is now slowly changing to occasion-led buying.
- The market is now moving from non-alcoholic carbonated drinks to fruit-based and natural healthy drinks and to plain bottled water.
- Consumers purchase soft drinks to quench their thirst.
- Brand awareness plays a crucial role in purchase decisions. Consumers prefer convenient and economical products.
- Availability in the chilled form affects the purchase decision. This has made the companies push for their sales and increase their retail distribution by offering refrigerators to retailers.
- Soft drinks are consumed by people of all age groups but the main consumers of this industry are in the age group of 35 and below.

CHAPTER 2: RESEARCH METHODOLOGY

2.1 NEED AND SIGNIFICANCE OF THE STUDY

The sales of the firm have been drastically impacted since the COVID-19 lockdowns. The firm has been suffering losses for the past 2 financial years. The firm however hopes to revive the sales of the soda product as well as the soft drink products. The firm also needs to re-evaluate its marketing, distribution and manufacturing strategies which are currently outdated and no match to the national and international brands.

2.2 RESEARCH STATEMENT

The objective of the research is to explore a deeper understanding of the current local softdrink market and the position of the firm inorder to help the firm take the desired and appropriate actions preventing a shutdown in the business.

2.3 OBJECTIVES OF THE STUDY

In view of intensifying competition in the soft drink market, it is imperative that the firm keeps a constant watch on the market trends and responds promptly to the dynamics of the market. It is in view of this fact that the following objectives are considered:

1. To analyse the existing retailer's perspective on the competitors and customers of local softdrinks in Goa.
2. To explore the SWOT analysis of Trinity Beverages with regard to Management, Branding, Manufacturing, Distribution and Finance.
3. To analyse the financial position of Trinity Beverages through ratio analysis.

2.4 METHODOLOGY OF THE STUDY

2.4.1 Data

The study has been done with the help of primary data and secondary data.

i. To achieve objective 1, the primary data has been collected through a carefully designed survey questionnaire for the purpose of collecting necessary data from the retailer's perspective.
ii. To achieve objectives 2 and 3, the secondary data has been collected from the management and audited financial statements of Trinity Beverages.

2.4.2 Period of the study

To analyse and achieve the objectives, collecting of primary data through the questionnaire began from December 2022 unto March 2023 and the secondary data was taken from the audited Financial Statements of 2019-20, 2020-21 and 2021-22 of Trinity Beverages to analyse the financial position through a Ratio Analysis.

2.4.3 Variables

To analyse and achieve the financial performance of Trinity Beverages, the ratios have been adopted.

2.4.4 Tools and Techniques

i. To study the objectives, and to find out the significance, the impact of retailers competitors, and customer perception, t-test, F-test and ANOVA test has been applied.
ii. To analyse the objectives, the SWOT analysis has been adopted.
iii. To analyse the objectives, selective financial ratios have been used.
iv. All ratios are expressed in terms of percentage.

CHAPTER 3: PROFILE OF TRINITY BEVERAGES

3.1 ORIGIN AND GROWTH

The Founder of the now known Partnership ‘Trinity Beverages’ was Mr. Sebastiao Gabriel Fernandes. He was a man of great honour that led a simple life as a paddy cultivator and aided his wife, Mrs. Adelaide Da Cunha in running the rice mill at Batim and selling of boiled rice simultaneously. He started the manufacturing business of softdrinks at his own residence at Batim in the year 1985. Back then the business was known as ‘Super Beverages.’ The softdrinks were manufactured with the help of a manual hand and leg-operated machine which was used to fill and seal the glass bottles. At that time, the business was growing at a very fast pace and hence there was a need to expand the operations which led to the formation of ‘Trinity Beverages, in the year 1992 as a partnership firm between three sons of Mr. Sebastiao Fernandes, the eldest son Mr. Lino Fernandes, the second Mr. Marcal Fernandes and the last Mr. Joao Fernandes. With this expansion, the business witnessed great heights of success and huge profits. As time passed, Mr. Joao Fernandes decided to part ways and give fruition to his other ventures and creative ideas which resulted in him resigning as a partner of the firm in the year 2002. The firm since then is run by the remaining 2 partners Mr. Lino and Mr. Marcal.

3.2 ORGANISATIONAL STRUCTURE AND PRODUCT LINE

As of today, Trinity Beverages is located at Batim, Goa Velha. The business is managed by Mr. Lino Fernandes and Mr. Marcal Fernandes in a 50:50 partnership ratio. The firm manufactures aerated drinks under two brand names i.e Super and Freska. The products include Soda, Cola, Orange, Limca, and Farmfresh. The products are available in glass bottles only. The firm has 10-15 employees engaged in the factory excluding the 2 partners who also operate the machines. Mr. Lino mainly overseas the production activities and Mr. Marcal also aids him. Mr. Marcal looks after all the Administrative and compliance work. The factory plant comprises of 2 main machines i.e, the bottle washing machines and filling and capping machine. The manufacturing line includes a conveyor belt leading the empty bottles to a semi-automatic washing machine from where the washed bottles are then heading to the semi-automatic filling machine after passing through a manual screening for cleanliness. The bottle-filling machine fills the bottles with aerated drinks and also seals the bottles. The bottles then pass through another manual screening for quality check and then finally picked up and assorted into crates. The filled crates of bottles are then stacked up in the storage area from where they will be loaded onto the distribution vehicles for sale. The firm has its own distribution vehicles which distribute the products to retailers such as bars, taverns, juice centres, etc across the state of Goa. The major sales revenue is from Soda.

3.3 FACTORY CAPACITY

The factory has a storage capacity of 2,000 crates of finished product and 3,000 empty crates. The factory premises also has a parking space or 7-8 delivery vehicles. The factory consists of 2 main machines i.e 1.) Bottle washing machine and 2.) Filling and capping machine. The factory has a manufacturing capacity of 24,000 bottles i.e about 1,000 crates per day when operated at full capacity.

3.4 MANUFACTURING PROCESS

For manufacturing a soft drink, the following raw materials are required: -

1. Water
2. Sugar
3. Activated carbon powder
4. Essence
5. Soda bi-carbonates
6. Caustic soda
7. Carbon dioxide gas
8. Syrup
9. Glass bottles
10. Plastic crates
11. Crown caps

The manufacturing process is mainly divided into 3 parts:

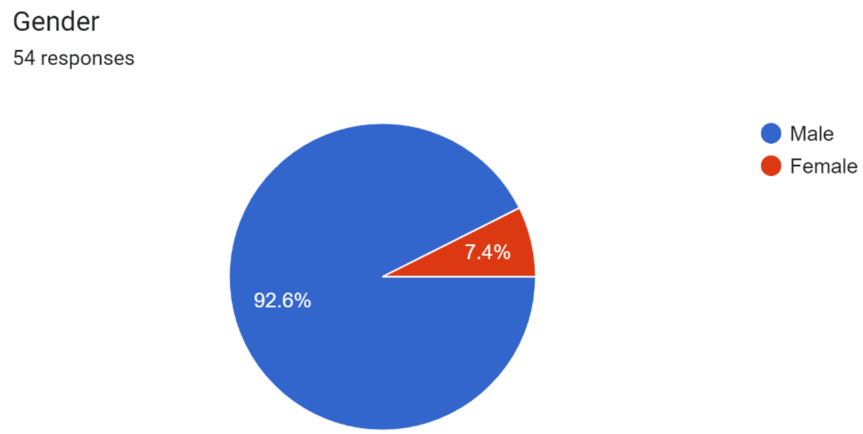
1. **Syrup Making**
   In syrup making process the syrup of a particular product is prepared by heating sugar in a tank, for a specified time at a particular temperature.

2. **Bottle washing and filling**
   The empty glass bottles that are collected back from the Retailers are sorted product wise under Soda bottles and Soft Drink bottles which are further categorized under their brand names, Super and Freska. The bottle washing process begins with washing of the soda bottles first, followed by the soft drink bottles. This is mainly because the manufacturing process commences with Soda everyday as it does not contain any flavour which can get mixed and affect the taste of the softdrinks and its easier to wash the filling machine prior to beginning the same process for soft drinks. On completion of this bottle washing process, the cleaned bottes are routed to the filling machine with the help of a conveyor belt. The bottles are then filled with the product and are then routed towards the Crowner where the bottles are sealed with the help of crown caps. The crowns are used in order to retain the carbonation flavours as well as to protect the product from outside contamination, spoilage and spillage. The bottles are then moved towards the Inspection Point where the filled bottles are manually checked for quality, quantity, and breakage.

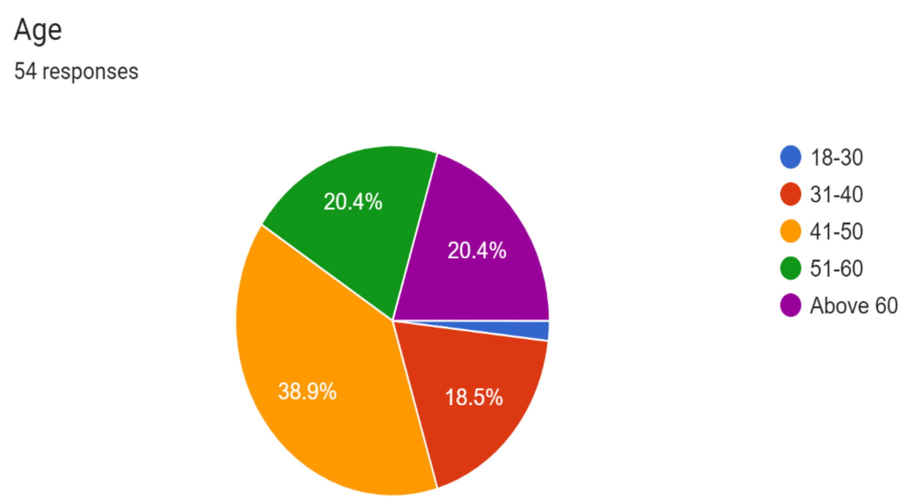
3. **Crating**
   This process begins with filled bottles being collected in plastic crates from the Conveyor Belt. Each crate comprises of 24 bottles and each crate is then stacked in a particular pattern of 5 crates one on top of each other to maintain the sturdiness of the entire rack which is stored and kept ready to be dispatched. These crates are used as they are lightweight and easy to handle. These crates also protect the bottles from breakages. These same crates are used to then collect the empty bottles that are collected from the Retailers.

CHAPTER 4: SURVEY ON RETAILERS PERSPECTIVE

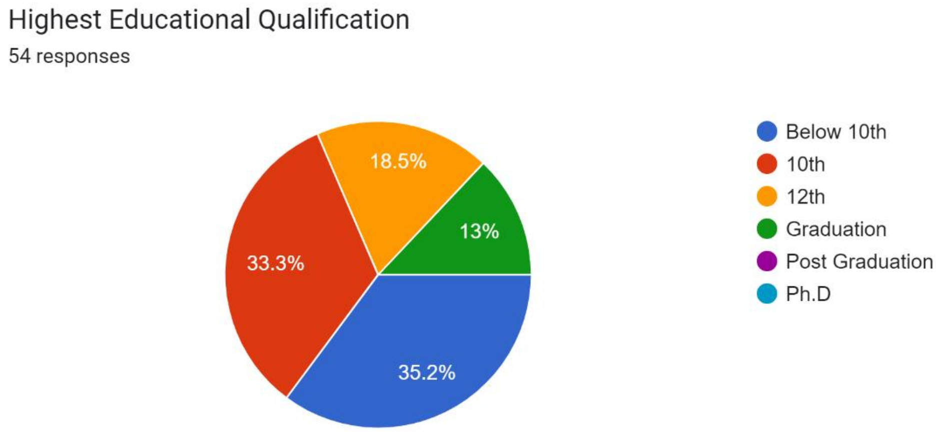
4.1 ANALYSIS OF SURVEY RESPONSES OF EXISTING RETAILERS



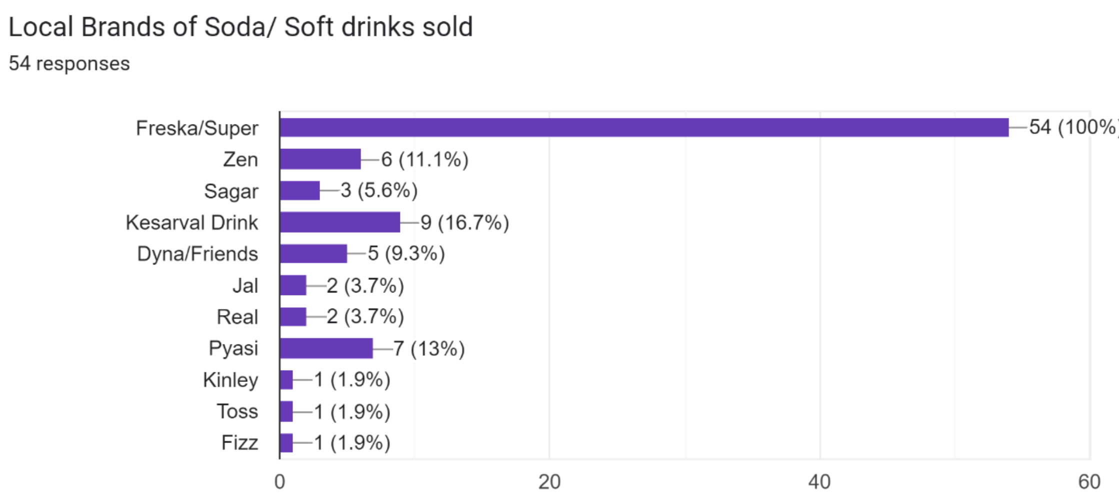
Out of 54 respondents, a majority of 92.6% of the existing retailers are males and 7.4% are females.



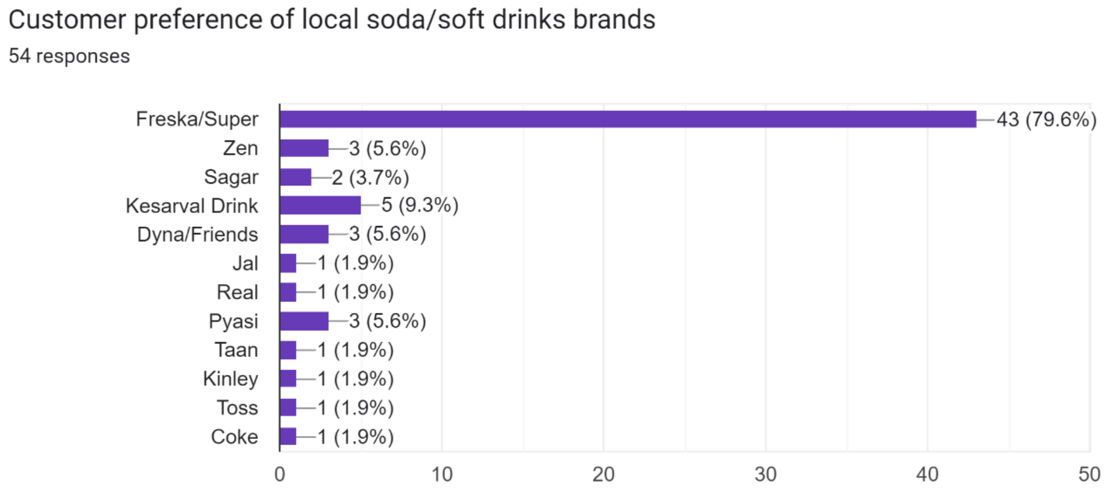
Out of 54 respondents, with 38.9% majority belong to an age group of 41-50, 20.4% to the age group of 51-60 and above 60, 18.5% to the age group of 31-40 and a minority of 1.9% belong to the age group of 18-30.



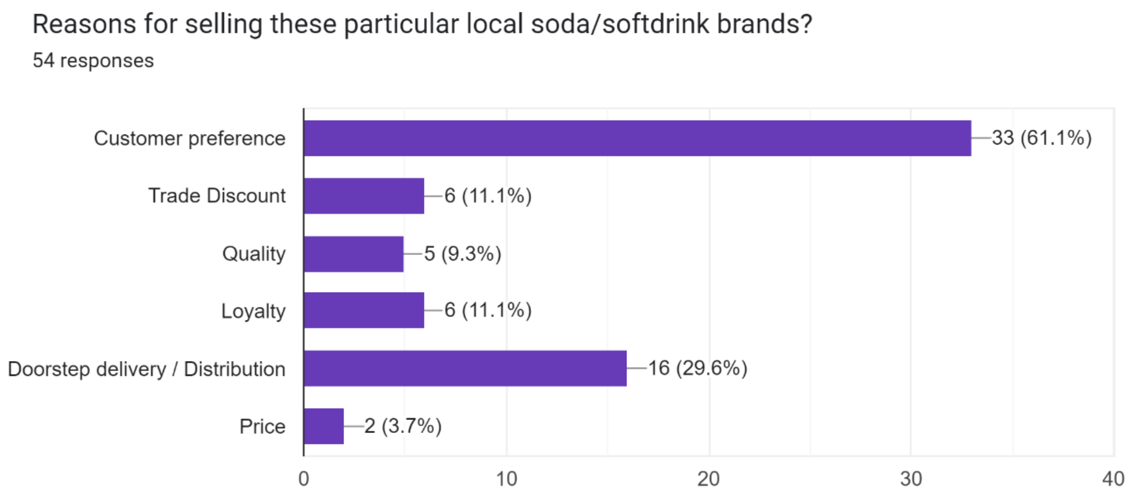
Out of 54 respondents, 35.2% are educated below 10th standard while 33.3% have completed 10th standard, 18.5% have completed 12th standard and a minority of 13% are graduates.



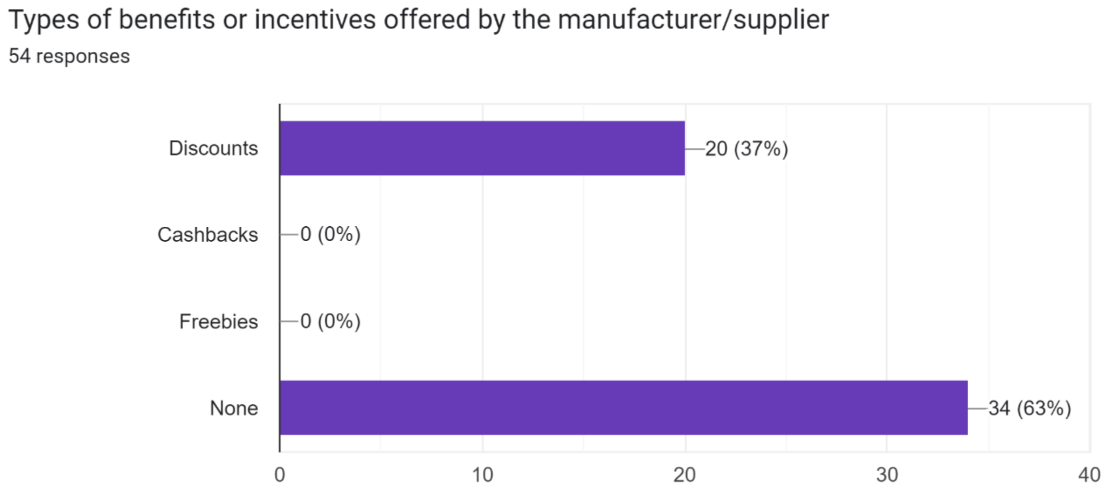
The survey was conducted of the existing retailers of the firm Trinity Beverages, which is why it is seen that all of them sell the products of Trinity Beverages i.e (Super/Freska). However, the retailers also keep a stock of other local competitors, out of which Kesarval drinks, Pyasi, Zen and Dyna/Friends seem to be strong competitors in the local softdrink market.



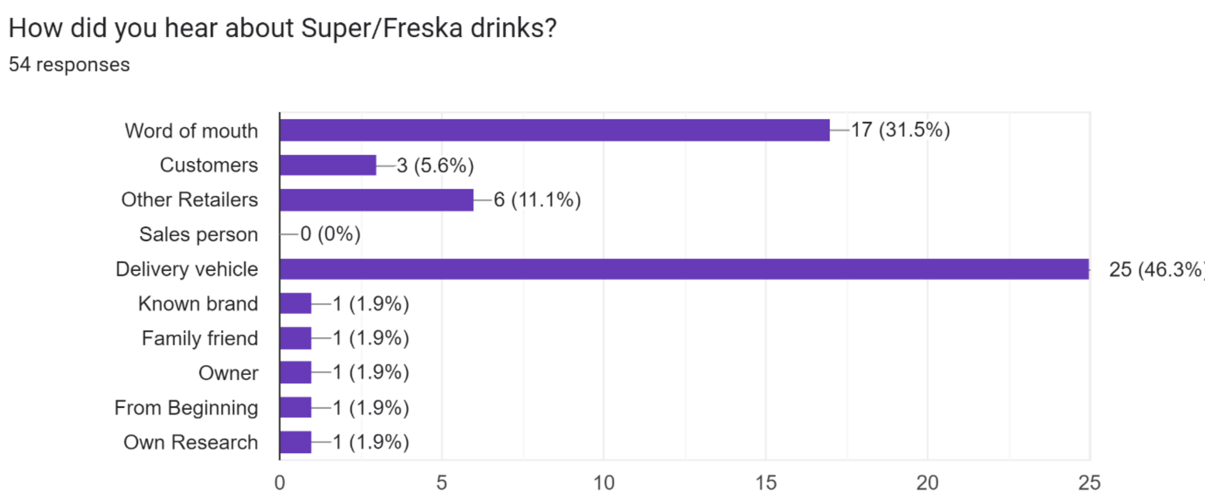
As per the existing retailers, a majority of 79.6% of the retailers felt that the customers prefer Freska/Super drink over other local competitor brands.



A majority of 61.1% of the retailers sell local softdrinks because of customers' preference. 29.6% of the retailers said that they sell the local softdrinks due to availability of doorstep delivery. Factors such as Trade discount, Quality, Loyalty and Price seemed to be the least of the reasons for selling the products.



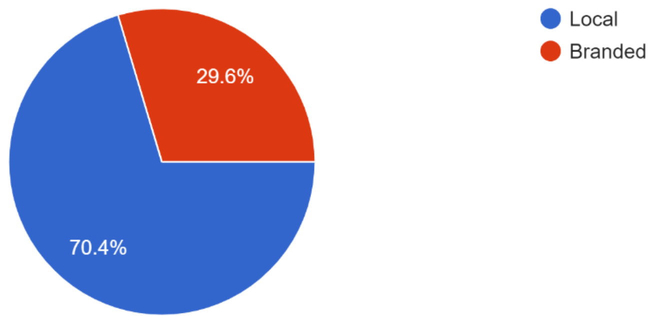
Out of 54 respondents, 63% of the retailers said that there are no incentives offered by the manufacturer / supplier and 37% of the retailers said that there are trade discounts offered to them by the manufacturer/ supplier.



A majority of 46.3% of the retailers said that they heard about Super/Freska drinks through the delivery vehicle, 31.5% of them said that they heard about Super/Freska drinks through word of mouth and 11.1% of them said that they heard about Super/Freska drinks from other retailers.

In your opinion do you think customers prefer local drinks or branded drinks like Coco Cola, Limca, Sprite, etc., especially while using it as a co product?

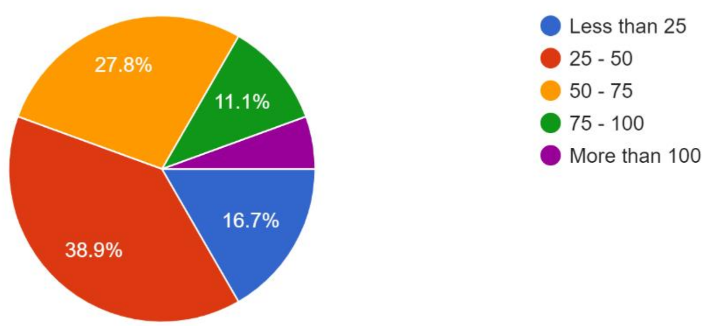
54 responses



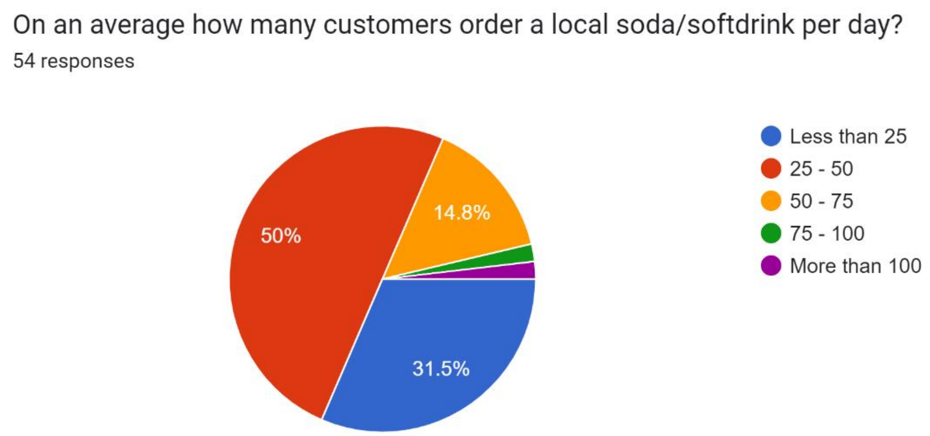
When it came to customer preference of drinks, A majority of 70.4% of the retailers said that their customers prefer local drinks and 29.6% of them said that their customers preferred rand drinks.

On an average how many customers do you serve per day?

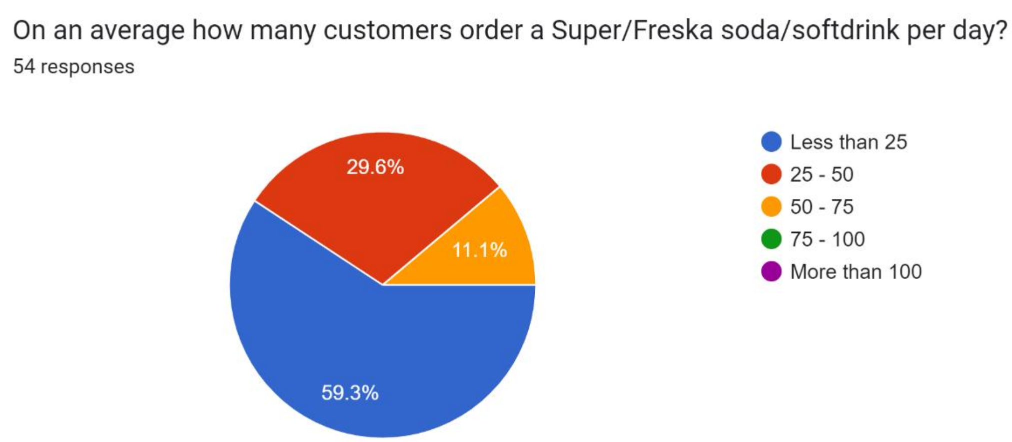
54 responses



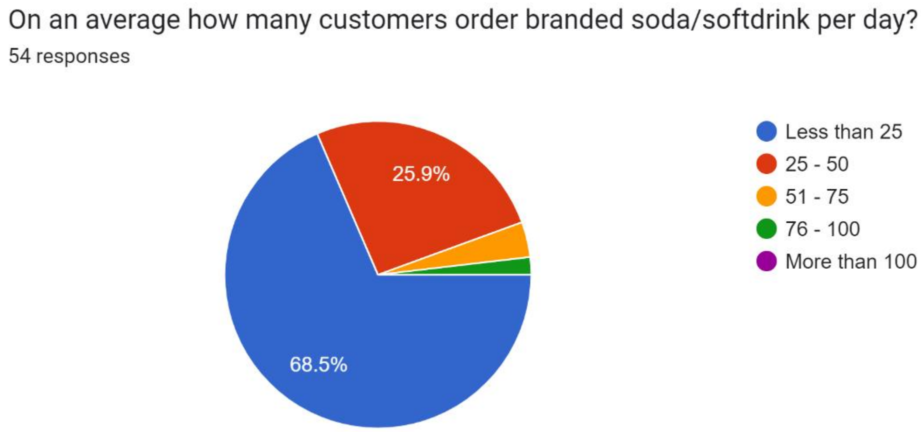
Out of 54 respondents, a majority of 38.9% of the retailers serve about 25-50 customers per day, 27.8% of the retailers serve 50-75 customers per day, 16.7% of the customers serve less than 25 customers per day, 11.1% of the retailers serve 75-100 customers per day and a minority of 5.6% of the retailers serve more than 100 customers per day.



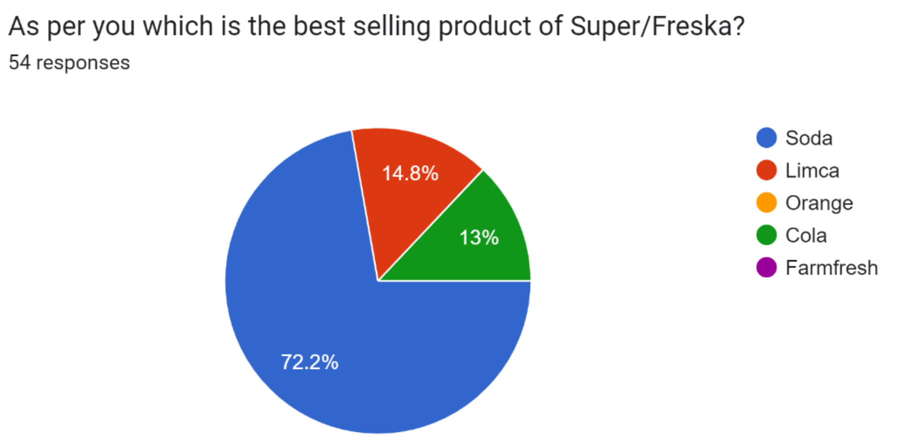
As per majority of the retailers (50%), said that atleast 25 -50 customers order a local soda/ softdrink per day. 31.5% of the retailers said that less than 25 customers order a local soda/ softdrink per day. 14.8% of the retailers said that 50-75 customers order a local soda/ softdrink per day. This shows clearly that customers prefer local softdrinks over branded softdrinks at the smaller local bars/taverns and juice centres.



59.3% of the retailers, said that less than 25 customers order a Super/Freska softdrink rather than the other available brands. 29.6% of the retailers said that 25-50 customers order a Super/Freska softdrink per day and 11.1% of the retailers said that 50-75 customers order a Super/Freska Softdrink per day.

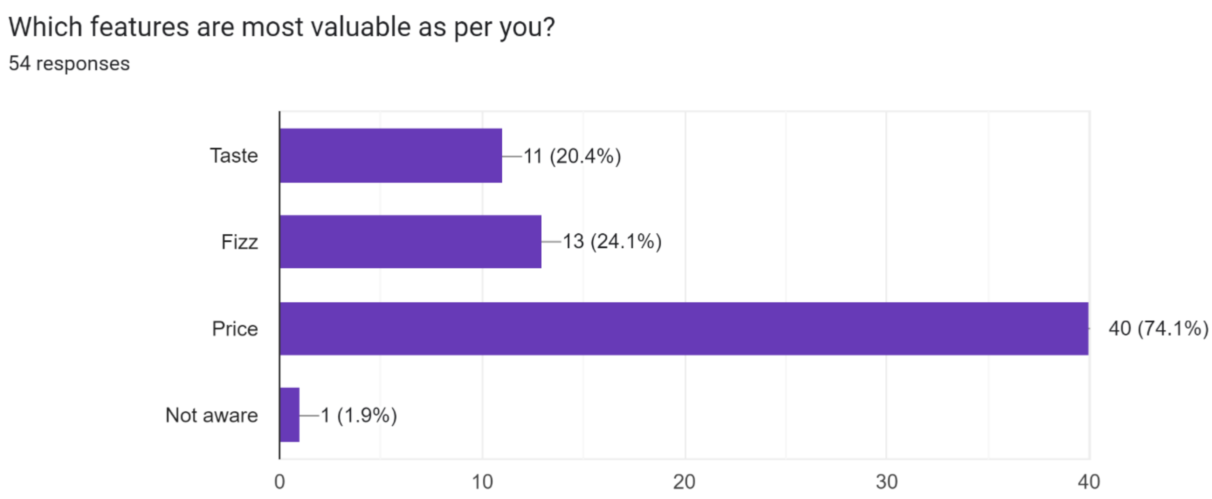


As per majority of the retailers 68.5%, less than 25 people order a branded softdrink per day. This shows clearly that customers prefer local softdrinks over branded softdrinks at the smaller local bars/taverns and juice centres.

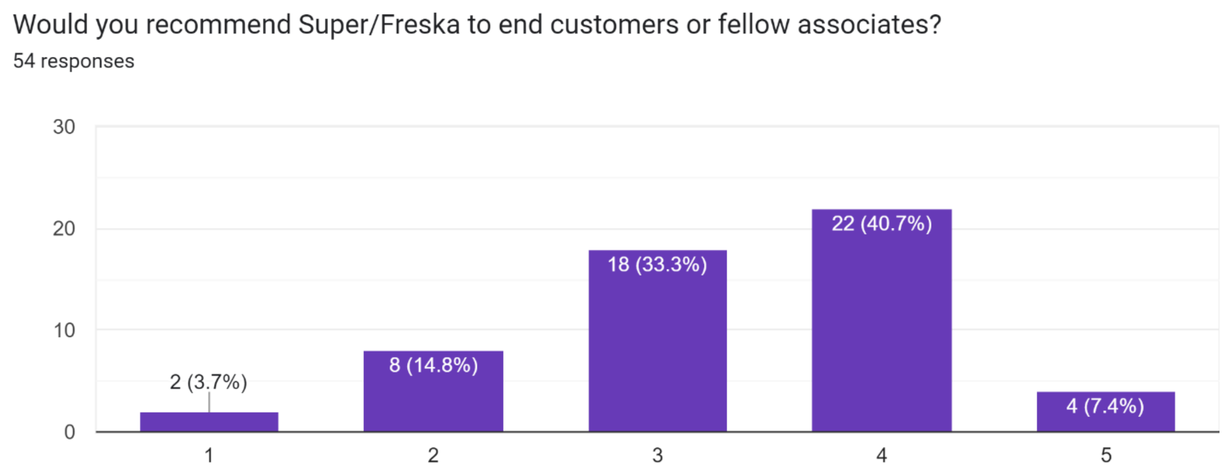


Out of the 54 respondents a majority of 72.2% of the retailers said that Soda is the best-selling product of Super/Freska. 14.8% of the retailers felt that limca is the best-selling product of Super/Freska and a minority of 13% of the retailers felt that Cola is the best-selling product of Super/Freska.

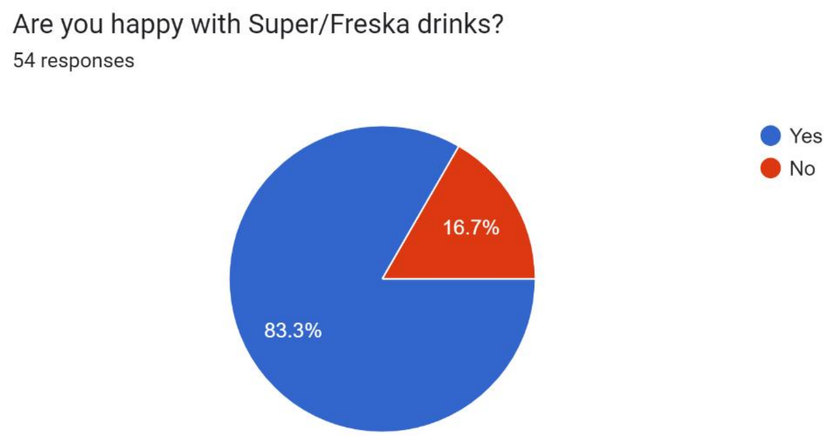
A majority of 64.8% of the retailer felt that the quality of Super/Freska drinks is better than the other local brands that are available. 29.6% of the retailers said that the quality of Super/Freska drinks is average. A minority of 5.6% of the retailers said that the quality of Super/Freska drinks is poor.



A majority of 74.1% of the retailers said that price is the most valuable aspect to them. 24.1% of the retailers said that Fizz is the most important expect and 20.4% of the retailers said that taste is the most important aspect.



Most of the retailers 48.1% (40.7%+7.4%) of the retailers were likely to recommend Super/Freska to their end customers and fellow associates.



Out of the 54 respondents 83.3% of the retailers were happy with Super/Freska drinks and a minority of 16.7 were not happy with Super/Freska drinks.

The main reasons of the retailers who were not happy with Super/Freska drinks were:

1. Low demand
2. Lack of incentives and discounts
3. Quality issues

Some of the repeated suggestions received from the retailers are as follows:

1. Improve Quality
2. Increase advertisements and publicity
3. Offer incentives to retailers

4.2 LIMITATIONS OF THE SURVEY

1. The soft drink industry is known to be seasonally fluctuating, however the opinions expressed in this study are mainly general and may not be accurate for all the seasons.
2. Time and expenses were major constraints.
3. Unwillingness of local retailers to answer surveys based on google forms.
4. Lack of accurate information due to lack of education and awareness of the retailers.
5. The study covers retailers only. It does not include consumers’ perceptions.
6. The study is limited to the opinions of the existing retailers only.
7. The study is limited to responses received only from a few existing retailers of the firm.

CHAPTER 5: SWOT ANALYSIS

5.1 MANAGEMENT

Strengths:

a) Quick decisions: Since there are only two partners and they are both available at the same factory premises during working hours it enables them to consult each other, narrow down and make quick decisions.
b) Sharing of Responsibilities: The partners have pre-allocated responsibilities of certain tasks to each other based on their areas of interest, liking and knowledge. Mr. Lino looks after the day to day manufacturing operations inclusive of machinery maintenance, supervision of labour, calculation of salary and wages, etc whereas Mr. Marcal handles mainly the outdoor liaising work with various departments, Banking, maintenance of cash register etc.
c) Years of Knowledge and Hands on Experience: Both the partners have been working since the inception. The have even driven the distribution vehicles and handled the sales by themselves in the initial stages of the business. The have a thorough knowledge of the local retailers and the market. They are aware of every detail of every process and operation of the machines at the factory. This ensures them to resolve any sort of obstacles especially w.r.t the technical operational issues.

Weaknesses:

a) Lack of knowledge of modern management systems: Due to lack of exposure to modern management systems, the partners are not able to reap the benefits of modern management systems such as use of computers, softwares, budgeting, etc
b) Lack of monitoring systems: The firm also lacks proper monitoring systems to monitor the workers, distribution vehicles. The CCTV installed in the factory premises are also not in working condition and have not been maintained for a very long time.
c) Resistance to change: The partners seemed very much resistive in their approach to adopt any marketing techniques or take any sort of risk to revive the business.
d) Lack of a team: It is observed that the partners are mainly doing most of the administrative, supervision and even at times operation of machines themselves. This shows that the partners lack a team that would help to delegate the tasks.

Opportunities:

a) Induction of Marketing personnel: The firm has a great opportunity to manage and re-organise its target customer base. The firm can capture the local soft drink market.
b) Dominate the local soft drink market: Due to stiff competition from the MNC's many small soft drink businesses are already shutting down. If the firm can grab these customers before they are lured by the MNC's, it can help to boost the sales revenues

Threats:

a) Aging partners: Both the partners are growing old and with no proper plan for succession the business is likely to shut down as they feel that revival of the business is very difficult due to various factors.

5.2 BRANDING

Strengths:

a) Preferred brand in certain areas and local joints: Even though the firm has not done any sort of promotion or branding of their products off late, there is a reasonably strong customer preference in certain local joints.

Weaknesses:

a) Lack of brand awareness: The two brands under which the firm is manufacturing are not even known anymore to many of the end consumers. The firm has not given any importance to branding as a result the brand awareness in the market is very low.

b) Lack of consumer willingness to buy the products: Modern consumers purchase decisions are highly driven by branding and advertisements undertaken. Due to its low brand awareness even, potential customers prefer to buy other known local brands.

c) Lack of social media presence: Social media presence greatly impacts any brand. Since the firm doesn't have any presence on social media, there is hardly any possibility of reaching out to potential customers.

d) Decreasing sales: The decreasing sales has been a biggest threat which is restricting the firm from incurring any additional expenses towards branding.

Opportunities:

a) Rebuilding brand image: Many local softdrink manufacturers have exited from the market due to stiff competition. If the firm can rebuild its brand image there is an opportunity to boost its sales.

b) Recognition as a Goto local brand: With proper branding and promotions the firm can be recognised as preferred/ goto local softdrink brand.

Threats:

a) Aggressive branding by other local competitor: With the rise importance of branding, the other local competitors may also start branding of their product which may hamper the branding of the firms product.

b) Rising cost of branding: As branding is gaining its due importance in modern world it also comes with a huge cost. The average salary for a brand manager in India comes to about 12 LPA.

c) Re-Entry of Campa Cola: Mukesh Ambani has recently announced the launch of Campa Cola which will also be available in lemon and orange flavours. Campa Cola will be initially launched in Andhra Pradesh and Telangana with a national roll out planned in the following months.

5.3 MANUFACTURING

Strengths:

a) Self owned Land: The land is owned by both the partners which means there is no additional expense incurred towards rent.
b) Semi automatic machinery: The factory is equipped with a semi automatic machinery which helps in meeting the daily production requirements.
c) Cost efficiency due to active monitoring of day to day operations by partners: The partners are actively monitoring the day to day production and distribution. This helps in reduction of employee cost and reduce wastages.

Weaknesses:

a) Lack of full automation: The factory being semi automatic has limited output capacity in terms of no. of unit manufactured. As a result it can cater to only a limited number of customers/retailers.
b) Human quality checking: The factor relies on human quality checking of the washed bottles and bottled beverages, which is prone to errors due to fatigue and various other human errors.
c) Obsolete Machinery: The factor is using obsolete machinery which is prone to a lot of breakdowns thereby delaying the production and increasing the cost of maintenance. The filling machine used by the firm is about 25 years old. The machines original production capacity was 120 BPM (Bottles per minute) but is now being operated at a very low production capacity i.e 60 BPM (Bottles per minute).
d) Low inventory of Finished Goods: The firm has a very low inventory of finished goods which is sufficient just for the next days sales. The low inventory is mainly due to lack of finance to order sufficient bottles and crates.
e) Substantial breakage of glass bottles: On an average there is a breakage of about 5 crates of bottles (5*24=120bottles) per day.

Opportunities:

a) Product diversification: There is scope for product diversification which means the firm can consider to add a new product after doing a proper study.
b) Computerised quality check: The firm can install a computerised quality checking system to improve the quality and increase the efficiency of the manufacturing process.
c) Mechanising manual tasks: The firm can mechanise some of it processes such as crating with the help of forklifts and other available machinery.
d) Increasing production and inventory capacity: If the firm wants to increase its sales it should first focus on increasing its production and inventory storage capacity. Once this is achieved the firm can cater to more retailers.

Threats:

a) Increasing labour costs: The cost of labour has been on a constant rise mainly due to inflation. Increasing labour costs adds to the manufacturing cost.

b) Increasing cost of raw material: The unexpected fluctuations in raw material prices to rising energy costs, affect the manufacturing process and the working capital requirement.
c) Increasing maintenance costs: The major machinery of the firm is obsolete as a result there are frequent breakdowns which lead to increase in maintenance cost.
d) Unable to achieve economies of scale: The sales are reducing; the firm is running short of bottle stock to manufacture in bulk and as a result is not able to achieve economies of scale in its manufacturing process.

5.4 DISTRIBUTION

Strengths:

a) Own distribution vehicles: The firm has its own 4 distribution vehicles, as a result the firm saves on distributors margin and is able to offer trade discounts to its retailers.
b) Predetermined sale routes: The firm has its pre determined sale routes based on its customers, which means the drivers know exactly where to go. Even the days on which the vehicle will go on a particular route is pre determined. This also ensures sufficient purchases are made by the retailers as the have to maintain their required stock until the next time the vehicle would come.
c) Geographical location: The firm is located at Batim, Goa Velha which is like a central location for the state of Goa. It is also well connected with National Highways which is an advantage to distribution.

Weaknesses:

a) Limited no. of retailers: The no. of retailers on the pre determined route is very limited due to which the firm incurs huge fuel cost but the revenue is not sufficient at times.
b) Lack of monitoring of the distribution vehicles: The firm does not have any system to monitor the distribution vehicles. At times the drivers may misuse the vehicles or just idle their time instead of actual completing the sale route for the day.
c) Under utilisation of delivery vehicles: Out of the 7 delivery vehicles the firm is only using maximum 4 vehicles per day on rotation due to decrease in no. of retailers.

Opportunities:

a) Possibility to capture the local market: The firm should focus on increasing local retailers and in turn capture a larger share of the local soft drink market.
b) Live vehicle tracking system: The company can install GPS devices to track the vehicles and identify and increase the turnover of a specific sale route by merging areas that are close to each other.
c) Identification of new potential customers: The firm can identify new potential retailers that can help boost it sales and decrease the distribution cost per crate sold.

Threats:

a) Increasing fuel costs: The fuel cost has constantly been rising for the past few years which leads to decrease in the profit margin as the soft drink prices do not increase with the rise in fuel prices.
b) Declining sale routes and retailers: The sale routes and retailers have been on a constant decline. If the firm doesn't increase its customers base and sales, the distribution will no longer be feasible with the rising fuel costs.

5.5 FINANCE

Strengths:

a) Availability of credit facilities from bank: There are sufficient credit facilities available to the firm from banks. The firm has till date not defaulted in any repayment of the credit facilities obtained.
b) Cash dominated business model: The major sales of the firm are in cash. Credit sales account to less than 5% on average. As a result, the firm has sufficient cash that is being generated on daily basis which helps to meet the working capital requirement.

Weaknesses:

a) Misappropriation of cash: The delivery vehicle drivers collect the cash from the retailers against the sales. Since there are no proper bills issued it is difficult to track the sales. The partners purely rely on the sales report submitted by the drivers. As a result, there is a lot of misappropriation of cash.
b) Inefficient utilization of funds: Upon scrutiny of the finances of the firm it was observed that almost during every year the firm has an outstanding overdraft balance of above 8 lakhs. The partners have got used to keeping the bank balance in negative by depositing only required amount of cash for making payments. If the firm maintains a healthy balance in the bank it can save on the interest on overdraft.
c) Lack of funds for capital expenditure: Even though credit facilities are available from banks the firm lacks collateral security and capacity to repay huge loans which are essential for capital expenditure.

Opportunities:

a) Implementation of control and monitoring systems: There is a great need to implement control and monitoring systems. The firm can start by implementing vehicle tracking system, mandatory invoicing of each sale, repairing of the CCTV system.
b) Online transactions: The firm should shift to digital mode of receiving payments. This will help in tackling the misappropriation of cash issue and also result in saving in terms of income tax. If the firm opts for presumptive taxation under Section 44AD, wherein the net income is considered as 8% of your turnover and tax is levied only on that income. However, if the receipts are in digital (non-cash) form then only 6% of the receipts are treated as the net income and tax will e levied only on that income.

Threats:

a) Profitability: The firm has not been able to generate profits in the last 2 years. This seems to be the biggest financial threat as the firm may not be able to even repay the bank overdraft it has borrowed. Further it will lead to erosion of the firms savings and retained earnings.

b) Government and Income Tax regulations: There are various government and income tax compliances that are either being introduced or amended. Since the firm doesn't have any admin staff it will become difficult for them to comply with the rules and compliances.

5.6 LIMITATIONS OF SWOT ANALYSIS

1. The SWOT analysis only addresses situations classified as strengths, weaknesses, opportunities, or threats and does not provide and solutions or alternative decisions.
2. The analysis may not include all relevant factors because some strengths, weaknesses, opportunities, and threats can easily be overlooked or misunderstood.
3. Generates too many ideas, but not all are useful.
4. Does not prioritize issues.

CHAPTER 6: RATIO ANALYSIS

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement.

6.1 PROFITABILITY RATIOS

Gross Profit = Gross Profit/ Sales * 100

	2019-20	2020-21	2021-22
Gross Profit	37,73,423	20,08,835	24,59,057
Sales	74,94,350	42,68,400	50,69,400
GP Ratio	50.35	47.06	48.51

The gross profit ratio is a financial metric that helps an organisation to assess its profitability. It is used to determine the amount of profit a business makes by selling its goods and services after subtracting its direct costs. A gross profit margin ratio of 50% to 70% is normally considered to be healthy. As can be seen the firm has quite a healthy GP ratio which has decreased marginally in 20-21 and 21-22 mainly due to the effects of COVID-19.

Net Profit = Net Profit/ Sales *100

	2019-20	2020-21	2021-22
Net Profit	2,47,272	-7,49,652	-10,47,273
Sales	74,94,350	42,68,400	50,69,400
NP Ratio	3.30	-17.56	-20.66

The Net Profit ratio expresses how much profit is generated for every 1 rupee that is made in sales. A good net profit ratio varies with each sector and the company. However, most industries consider 10% as an average ratio and above 20% as an above-average or high net profit ratio. As can be seen above the firm has a very low net profit ratio in 19-20 which has further deteriorated into negative indicating losses in 20-21 and 21-22. The net profit of the firm has reduced drastically over the last 2 years mainly due to stiff competition, increase in cost and decrease in sales.

Return on Assets Ratio = Net Profit/ Total Assets *100

	2019-20	2020-21	2021-22
Net Profit	2,47,272	-7,49,652	-10,47,273
Total Assets	39,29,569	35,43,045	33,08,579
ROA Ratio	6.29	-21.16	-31.65

Return on assets is a metric that indicates a company's profitability in relation to its total assets. ROA is used by management, analysts, and investors to determine whether a company uses its assets efficiently to generate a profit. ROAs should always be compared amongst firms in the same sector. A ROA of over 5% is generally considered good and over 20% excellent. As can be seen above the firm had a good ROA of 6.29 in 19-20 which has dropped considerably to negative in 20-21 and 21-22.

Return on Equity = Net Profit/Equity *100

	2019-20	2020-21	2021-22
Net Profit	2,47,272	-7,49,652	-10,47,273
Equity	36,26,603	29,62,205	28,51,501
ROE Ratio	6.82	-25.31	-36.73

Return on Equity is a profitability metric used to compare the profits earned by a business to the value of its shareholders' equity. ROE is a gauge of an organisation's profitability and how efficiently it generates those profits. ROEs of 15–20% are generally considered good. As can be seen the firm has never had a good ROE and 2019-20 being the only year where the ROE was positive after which it has declined to negative as the firm has suffered losses in 2020-21 and 2021-22.

6.2 TURNOVER RATIOS

Stock Turnover Ratio = COGS/Average Inventory

	2019-20	2020-21	2021-22
Opening Stock	79,650	1,46,900	1,90,500
Add: Purchases	24,16,742	11,02,352	12,65,980
Less: Closing Stock	1,46,900	1,90,500	3,25,500
COGS	23,49,492	10,58,752	11,30,980
Average Inventory	1,53,100	2,42,150	3,53,250
Stock Turnover Ratio	15.35	4.37	3.20

The inventory turnover ratio is calculated by dividing the cost of goods by average inventory for the same period. The stock turnover ratio determines how soon an organisation sells its products and replaces its inventories. A good inventory turnover ratio is between 5 and 10 for most industries. As can be seen the firm had a very good stock turnover ratio of 15.35 in 2019-20 which means the firm was able to sell its products and make new purchases 15 times in a year. The ratio has decreased substantially in 2020-21 which is mainly due to reduction in sales which has led to less purchases and increased inventory.

Debtors Turnover Ratio = Net Credit Sales/ Average Debtors

	2019-20	2020-21	2021-22
Net Credit Sales	2,99,850	66,810	93,745
Opening Debtors	40,855	39,355	37,275
Closing Debtors	39,355	37,275	46,685
Average Debtors	60,533	57,993	60,618
Debtors Turnover Ratio	4.95	1.15	1.55

Debtors Turnover ratio indicates the number of times average debtors have been converted into cash during a year. This is also referred to as the efficiency ratio that measures the company's ability to collect revenue. Higher the Debtors turnover ratio, better is the credit management of the firm. As can be seen above the firm has reduced on it credit sales but however the collection from debtors has not improved proportionately as a result the ratio has reduced.

Creditors Turnover Ratio = Net Credit Purchases/Average Creditors

	2019-20	2020-21	2021-22
Net Credit Purchases	24,16,742	11,02,352	12,65,980
Opening Creditors	3,87,804	3,09,122	4,54,970
Closing Creditors	3,09,122	4,54,970	3,84,936
Average Creditors	5,42,365	5,36,607	6,47,438
Creditors Turnover Ratio	4.46	2.05	1.96

The creditors turnover ratio, also known as the payables turnover or the accounts payable turnover ratio, is a liquidity ratio that measures the average number of times a company pays its creditors over an accounting period. A high creditors turnover ratio means, the company is paying off suppliers at a faster rate. A decreasing ratio means the company has scarcity of cash to pay off its short-term debt in a timely manner. The firms capacity to pay the creditors has reduced drastically over the past 3 years.

Working Capital Turnover Ratio = Net Sales/Working Capital

	2019-20	2020-21	2021-22
Net Sales	74,94,350	42,68,400	50,69,400
Current Assets	8,07,694	7,19,100	5,24,736
Current Liabilities	27,51,423	31,55,081	21,83,666
Working Capital	-19,43,729	-24,35,982	-16,58,931
Working Capital Turnover Ratio	-3.86	-1.75	-3.06

The working capital turnover ratio measures how well a company is utilizing its working capital to support its sales. A high turnover ratio indicates that management is being extremely efficient in using a firm's short-term assets and liabilities to support sales. As can be seen above the firm is having a negative working capital ratio which is mainly due to high current liabilities.

6.3 LIQUIDITY RATIOS

Current Ratio = Current Assets/Current Liabilities

	2019-20	2020-21	2021-22
Current Assets	8,07,694	7,19,100	5,24,736
Current Liabilities	27,51,423	31,55,081	21,83,666
Current Ratio	0.29	0.23	0.24

The current ratio is a liquidity ratio that measures a company’s ability to pay short-term obligations or those due within one year. A current ratio of less than 1.00 indicates that the organisation does not have the capital on hand to meet its short-term obligations if they were all due at once, while a current ratio greater than 1.00 indicates that the organisation has the financial resources to remain solvent in the short term. As can be seen above the firm's current ratio is less than 0.5 which raises serious concerns about the firms solvency in the near future.

Quick Ratio = (Current Assets-Inventory)/Current Liabilities

	2019-20	2020-21	2021-22
Current Assets	8,07,694	7,19,100	5,24,736
Inventory	1,46,900	1,90,500	3,25,500
Current Liabilities	27,51,423	31,55,081	21,83,666
Current Ratio	0.24	0.17	0.09

6.4 SOLVENCY RATIO

Debt Equity Ratio = Total Debt/Equity

	2019-20	2020-21	2021-22
Total Debt	18,00,373	17,76,072	15,15,158
Equity	36,26,603	29,62,205	28,51,501
Debt Equity Ratio	0.50	0.60	0.53

The debt-to-equity ratio shows how much debt an organisation has compared to its assets. It is found by dividing the total debt by total shareholder equity. A higher Debt equity ratio means the company may have a harder time covering its liabilities. As can be seen above the firm's debt equity ratio has always been around 0.50 which means the assets are financed mainly through equity. The firm primarily relies on own funds to leverage its finances.

6.5 COVERAGE RATIO

Interest Coverage Ratio = EBIT/Interest Expense

	2019-20	2020-21	2021-22
EBIT	4,50,711	-5,65,988	-9,05,115
Interest Expense	2,03,439	1,83,664	1,42,159
Interest Coverage Ratio	2.22	-3.08	-6.37

The interest coverage ratio is calculated by dividing the earnings generated by a firm before expenditure on interest and taxes by its interest expenses in the same period. An interest coverage ratio of 1.5 is considered as healthy for a business. In general, a higher interest coverage ratio means that a company is earning sufficient money in order to pay off the interests due on long term loans, which indicates that there is a very less chance of a financial default. The firm had a very healthy ratio in 2019-20 which has dropped to negative in the subsequent years as the firm has been incurring losses. This indicates that the firm is not stable and will not be able to pay its debts.

6.6 LIMITATIONS OF RATIO ANALYSIS

a) Historical Information: Information used in the analysis is based on real past results that are released by the company. Therefore, ratio analysis metrics do not necessarily represent future company performance.

b) Inflationary effects: Financial statements are released periodically and, therefore, there are time differences between each release. If inflation has occurred in between periods, then real prices are not reflected in the financial statements. Thus, the numbers across different periods are not comparable until they are adjusted for inflation.

c) Changes in accounting policies: If the company has changed its accounting policies and procedures, this may significantly affect financial reporting. In this case, the key financial metrics utilized in ratio analysis are altered, and the financial results recorded after the change are not comparable to the results recorded before the change.

d) Seasonal effects: An analyst should be aware of seasonal factors that could potentially result in limitations of ratio analysis. The inability to adjust the ratio analysis to the seasonality effects may lead to false interpretations of the results from the analysis.

e) Manipulation of financial statements: Ratio analysis is based on information that is reported by the company in its financial statements. This information may be manipulated by the company's management to report a better result than its actual performance. Hence, ratio analysis may not accurately reflect the true nature of the business, as the misrepresentation of information is not detected by simple analysis. It is important that an analyst is aware of these possible manipulations and always complete extensive due diligence before reaching any conclusions.

LEARNINGS

1. Sales of the carbonated soft drinks have been declining for quite some time as health-conscious consumers switch to low-sugar/ diet drinks/ natural fruit drinks and juices.
2. The retailers are largely dominated by males which needs to be kept in mind while designing any sort of promotional schemes.
3. The firm needs to capture a larger share of the local softdrink market.
4. The firm has not done any promotions/advertisements in the last decade.
5. The only incentive offered is in terms of trade discount to the major retailers.
6. The soda sales constitute a major portion of the sales turnover as compared to the other flavoured softdrinks.
7. The firm has not undertaken any R&D in the last decade to improve the quality and taste of the products.
8. The ratio analysis clearly highlights some major issues w.r.t profitability and working capital.

SUGGESTIONS

1. Softdrink sales constitute a very small percentage and with the growing health concerns, it is difficult to increase the sales of local softdrinks. However, the firm could consider shutting down the softdrink business and focus entirely on improving the quality of soda and boosting the revenue through soda sales by capturing a larger share of the local market.
2. The firm could do a re-branding and launch a new premium logo to attract more customers.
3. The firm should consider hiring of a marketing personnel who can independently handle the sales of the firm rather than leaving it in the hands of the drivers of the delivery vehicles.
4. The firm should investigate the possibility of launching of masala soda.
5. Hire sales personnel and prepare a strategy to increase sales and market share.
6. Undertake preventive maintenance of machines to reduce breakdowns and also to reduce the breakage of glass bottles.

CONCLUSION

The soft market is divided into 3 main levels which are: 1.) Branded/Established softdrinks where the MNC's compete, 2.) National level softdrink manufacturers and 3.) the local softdrink manufactures. The firm Trinity Beverages operates at the last level making them a Local Softdrink Manufacturer in the State of Goa. The only way to survive in the local softdrink industry is to achieve a larger market share of the local softdrink industry and thereby improve the quality of the drinks simultaneously.

Through the study conduct it is hereby concluded that the retailers perception and willingness to sell a local softdrink has a huge impact on the sales of local softdrinks as majority of the customers will buy what is sold.

Due to certain mismanagement and oversight the firm "Trinity Beverages" is headed towards a shutdown if corrective actions are not taken immediately. The partners of the firm were enlightened about the various areas that required their immediate attention. The study has not only helped in understanding and evaluating the business as a part of my project but it also awakened the partners to take a note of the business indicators and take corrective actions. As a first step the partners have resolved to reduce the over dependence on the bank overdraft facility to save on the interest cost with immediate effect. Overall, the study has been a learning experience for me and the partners of the firm Trinity Beverages.