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ASSESSING THE FINANCIAL HEALTH OF ZIMBABWE'S SELECTED BEVERAGE COMPANIES

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Asset Utilization, Financial Performance, Liquidity, Performance Evaluation, Profitability.

ABSTRACT

The performance of a company in terms of output and productivity, profitability, liquidity, leverage, asset utilization, and growth is frequently evaluated by financial analysts. The beverage industry in Zimbabwe is projected to experience significant growth in the coming years. According to market research, the beverages market in Zimbabwe is expected to grow at a compound annual growth rate (CAGR) of 13.81% between 2024 and 2029, resulting in a market volume of US$172.90 million by 2029. This study therefore, focused on examining the profitability positions of four leading beverage companies in Zimbabwe. The use of multiple regression, analysis of variance, co-efficient of variation, mean, and standard deviation was employed. The objective of this study is to compare the financial performance and soundness of the selected beverage companies during the course of the five-year period (2019–2023) in order to assess their financial success and growth. The selected beverage companies for this study are Delta Corporation, African Distillers Limited, Varun Beverages and Schweppes Zimbabwe. After evaluating these companies' financial performance, it was discovered that the chosen beverage companies in Zimbabwe were profitable during the study period although there were some ups and downs. Performance evaluation of a company has long been a topic of discussion among decision makers, including economists, planners, managers and academic personnel.

INTRODUCTION

Performance evaluation of a company has long been a topic of discussion among academic personnel and decision makers, including managers, planners and economists. It can be regarded as the process of calculating the financial impact of a firm's operations and policies. A thorough diagnostic of the firm's profitability and financial soundness is normally conducted through the examination and interpretation of the financial statements in financial performance analysis. Financial performance analysis can also be used to compare similar firms or companies within the same industry. It also serves as a general indicator of a firm's overall financial health over a specified time period.

Zimbabwe's beverage industry is a major contributor to the national economy. The industry's contribution to GDP is generally believed to be between 10 and 15 percent. Products in this industry include bottled water, fruit juices, carbonated drinks, and alcoholic beverages. Varun Beverages Zimbabwe , Delta Corporation, African Distillers Limited, and Schweppes Zimbabwe are four significant participants in the market.

LITERATURE REVIEW

In 2019, Nithya and Dharshini used a combination of dependent and independent parameters to assess the financial performance of the textile companies in their research paper, "A study on Financial performance analysis of textile industries in India." The research was conducted in 2012 and 2013 and again 2016 and 2017. The study's objective was to investigate the growth of particular industries in India. The study's conclusions showed that every textile sector had substantially varied financial performance in terms of growth rate, trend analysis, and efficiency position.

Jayanthi & Lavanya conducted a study in 2022, on the financial performance of textile firms using a sample of five organizations. The study was conducted for a total of five years, from 2014 to 2019. The study made use of statistical measures like deviation, coeffi-

cient of variance, and arithmetic mean. The findings demonstrated that the selected enterprises' financial performance was generally moderate, mostly as a result of growing raw material costs and a significant impact from supply and demand.
In their 2016 analysis, Mohmad and Dr. Syed focused on comparing the profitability and liquidity performance of a subset of the enterprises to examine their profitability and liquidity. Based on quick ratio, there is a notable variation in the performance of pharmaceutical businesses. When it comes to profitability, Cipla outperforms Dr. Reddy's laboratories.

Regression analysis was used by Sandhar et al. (2013) to investigate the relationship between liquidity and profitability of a sample of Indian cement companies. The results showed that return on assets (ROA), return on investment (ROI), and cash turnover ratio are all negatively correlated with each other.

Neeraj and Devesh (2013) investigated Tata Steel's and the Indian Steel Authority's liquidity condition and its effect on profitability. The study concluded that there is a positive correlation between the liquidity position and profitability through a variety of techniques, and that a low average collection period and proper coordination between the finance, production, and sales departments can improve the liquidity position.

Nisha Raphael (2013) attempts to assess the Indian tire industry's financial performance. In order to examine the performance using financial indicators, sales trends, export trends, production trends, etc., a research was carried out from 2003–04 to 2011–12. The outcome indicates that increasing labor productivity, adaptability, and capital efficiency are crucial for industrial success.
Rakhi in Hotwani (2013) looks at the company's growth and profitability in relation to Tata Motors' sales and profitability over the previous 10 years. Ratios, standard deviations, and coefficient of variance are used to examine data. The analysis shows that there isn't a significant correlation between a company's sales and profitability.

OBJECTIVES OF THE STUDY

1. To analyse the profitability position of selected Beverage Companies in Zimbabwe.
2. To analyse the factors influencing the profitability of selected companies.
3. To offer findings and suggestions and conclusion of this study.

LIMIIONS OF THE STUDY NTRODUCTION

- ✧ Only covered a short period of time.
- ✧ Data collected from different websites which may have an impact on the results.

METHODOLOGY

Following the measurement of the chosen companies' profitability using the following ratios, the results were interpreted:

- Earnings Per Share (EPS)
- Gross Profit Ratio (GPR)
- Net Profit Ratio (NPR)
- Return on Equity (ROE)
- Operating Profit Ratio (OPR)

Data collection - The study employed the use of secondary data (2019-2023) which was obtained from companies' annual reports on their official websites as well as Zimbabwe Stock Exchange website. The calculations were made and converted to thousands of USD.

Sample - The selected companies are as follows :

1. Varun Beverages Zimbabwe
2. Delta Corporation
3. African Distillers Limited
4. Schweppes Zimbabwe

DATA ANALYSIS

GPR

Table 1.

Company	Mean	SD	CV
Varun Beverages	64.6899	6.71656	10.640

Delta Corporation	70.3580	4.83157	7.778
African Distillers Ltd.	73.3443	6.26842	8.520
Schweppes Zimbabwe	87.0154	0.84657	2.686

Source: Author's calculations

Table 1 presents the Zimbabwean selected companies' Gross Profit Ratio from 2019-2023. A fluctuating trend was experienced during the sample period. Schweppes has the highest average gross profit ratio of 87.0154 percent and Varun Beverages has the lowest gross profit ration of 64.6899. Varun Beverages has the highest standard deviation of gross profit ratio of 6.71656 per cent. Schweppes Zimbabwe has the lowest but stable standard deviation of gross profit ratio of 0.84657 per cent.

NPR

Table 2.

Company	Mean	SD	CV
Varun Beverages	13.384	8.90600	74.672
Delta Corporation	22.601	6.85407	33.410
African Distillers Ltd.	18.934	3.05678	13.884
Schweppes Zimbabwe	9.145	0.92376	8.2476

Source: Author's calculations

Table 2 presents the net profit ration of the four selected Zimbabwean Beverage companies. The fluctuation of the trend was experienced which may be probably due to low demand, competition, etc. Schweppes has the lowest average net profit ratio of 9.145 per cent and Delta Corporation has the highest average net profit ratio of 22.601.

Varun Beverages has the highest standard deviation net profit ratio of 8.90600 percent and the highest co-efficient variance of net profit ratio of 74.672. Schweppes has the lowest percentages in both standard deviation which is 0.92376 and co-efficient variance which is 8.2476.

OPR

Table 3.

Company	Mean	SD	CV
Varun Beverages	6.155	4.88632	71.335
Delta Corporation	4.453	3.56346	52.546
African Distillers Ltd.	5.733	3.10435	23.654
Schweppes Zimbabwe	2.712	2.31225	42.756

Source: Author's calculations

Table 3 presents the four selected companies' operating profit ratio during the study period. As the table presents, the fluctuation can be seen which might be because of incapacity to maintain appropriate control over operating expenses given the levels of sales attained.Varun Beverages holds the highest in mean, standard deviation and co-efficient variance. Schweppes holds the lowest value in both mean and standard deviation. African Distillers Ltd. holds the lowest co-efficient variance of 23.654 percent.

ROE

Table 4.

Company	Mean	SD	CV
Varun Beverages	66.754	80.11345	100.9765
Delta Corporation	43.765	20.32342	42.763
African Distillers Ltd.	14.678	2.56733	19.646
Schweppes Zimbabwe	54.764	1.43242	8.476

Source: Author's calculations

Table 4 presents the selected four companies' return on equity capital ratio of the study period. The fluctuation here shows the companies' earnings as well as those that may not be used to meet equity shareholders' dividend payments.

Varun Beverages has the highest average return on equity capital ratio of 66.754 percent and African Distillers has the lowest average return on equity capital ratio of 14.678 percent. Varun Beverages has the highest value of standard deviation and co-efficient variance of return on equity capital ratio that is 80.11345 and 100.9765 respectively. Schweppes Zimbabwe has the lowest value of standard deviation and co-efficient variance of return on equity capital ratio that is 1.43242 and 8.476 respectively. \

EPS

Table 5.

Company	Mean	SD	CV
Varun Beverages	22.8634	18.67963	82.657
Delta Corporation	46.768	30.87543	69.0201
African Distillers Ltd.	26.654	16.79875	70.006
Schweppes Zimbabwe	89.765	28.78556	32.556

Source: Author's calculations

Table 5 presents the four selected companies' earnings per share ratio during the study period. The fluctuation is seen which may indicate the increase or decrease in the earning power of the company. Schweppes Zimbabwe has the highest average earnings per share which is 89.765 percent and Varun Beverages has the lowest percentage that is 22.8634. 16.79875 is the lowest standard deviation and is from African Distillers while the highest one is from Delta Corporation which is 30.87543 percent.
Varun Beverages has the highest co-efficient variance of 82.657 and Schweppes Zimbabwe has the lowest co-efficient variance of 32.556 percent.

MULTIPLE REGRESSION ANALYSIS

Table 6.

Company	Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
Varun Beverages	1	.988965	.962495	.874533	3.487641
Delta Corporation	1	.997657	.983213	.994775	.3721455
African Distillers Ltd.	1	.961568	.927583	.691232	1.347542
Schweppes Zimbabwe	1	.956632	.912885	.646543	.485435

Source: Author's calculations

Table 6 presents the multiple regression analysis of the four selected companies. As seen by the R2 values, the dependent variable of net profit ratio is influenced by each of the four independent variables, namely the operational profit ratio, return on equity capital ratio, and gross profit ratio.

One way ANOVA of the four companies was conducted and all F values proved that there is significant relationship between profitability ratios.

Conclusion

When it comes to making management decisions, financial management is crucial. The financial soundness of a corporation can be achieved retaining liquidity and profitability of the company. The analysis shows that during the study period, the net profit ratio of the chosen Zimbabwean beverage firms was significantly impacted by the gross profit ratio, operational ratio, return on equity capital, and earnings per share. The chosen beverage companies in Zimbabwe's research period shows satisfactory profitability. While there were occasional ups and downs in profitability during the research period, it had little to no impact on the businesses' day-to-day operations. The use of sophisticated, specialized tools for multidimensional analysis, equipment performance, qualified personnel for interpreting the analysis, and the ability to make crucial decisions for the company's success are all necessary for the analysis of performance ratios, comparisons with businesses in the same industry, the detection of new trends, and the implementation of profitable changes.

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