A Study on Financial Performance Analysis of Dabur India Limited

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Abstract: Financial Performance Analysis of Dabur India Limited talks about accounting analysis and financial analysis and to assessment of the viability, reliability and profitability of a business. The main indication behind this study is to investigate the financial functioning position of the Dabur India Limited. This investigation is done with help of secondary data which is collected from the Annual Report of the Dabur India Limited. The financial performance can be estimated by using various financial utensils such as Liquidity ratio, Profitability ratio etc. Based on the study, findings have been reached that the company has got enough funds to encounter its obligations including debts & as well as liabilities. The income statement of the Dabur India Limited shows sales of the company improved every year at good rate and profit also greater than before every successive year.

Keywords: Profitability ratio, Shareholders funds, returned on Assets, Reserved Surplus.

I. INTRODUCTION

Financial performance means confirming the results of a firm's strategies and operations in economic terms. These results are replicated in the firm's Return on Investment, Return on Assets, Value Added etc. A subjective that measure of how healthy a firm can use assets from its primary mode of business and generate revenues. This word is also used as a overall measure of a firm's general financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in collection. Financial performance analysis is arranged mainly for decision-making tenacities. The information given in the financial statements is of enormous use is making decisions through analysis and explanation of financial statements. Financial Analysis is the process of identifying the financial strengths and as well as weakness of a firm by properly creating a association between the items of the balance sheet and profit and loss account.

A Financial Statement Analysis suggests data to assess the path of change in the business. Financial statements of past ten years are presented as on a specific date for a certain period. The financial statement in Balance Sheet specifies the financial position as at the end of an accounting period and the financial statement Income Statement displays the operating and non-operating results for a period. But financial heads and top of the organization are also concerned in knowing whether the business is in a satisfactory or in a disapproving direction. For this tenacity, figures of recent year have to be compared with those of the previous financial years. In analyzing this way, comparative financial reports are prepared.

II. COMPANY PROFILE

Dabur India Ltd. is one of India's primary FMCG Companies with Revenues of above Rs 7,680 Crore & Market Capitalisation of above Rs 48,800 Crore. Over one hundred thirty four years built a heritage of quality and experience. 'Dabur India Limited' is today India's most reliable label and the world's biggest Ayurvedic and also Natural Health Care Company.

Dabur India is also a world frontrunner in Ayurveda with a range of over 250 Herbal/Ayurvedic products. Dabur's FMCG portfolio includes five leading brands with different brand identities. Dabur as the chief trademark for natural healthcare products, Vatika for best personal care, Hajmola for digestives, Real for fruit juices and beverages and Fem for Fairness Bleaches as well as skin care products.

Today, Dabur functions in main consumer product categories like Oral Care, Hair Care, Health Care, Home Care, Skin Care and Foods and are today obtainable in over 120 countries across the globe. The 133-year-old Ayurvedic Company, supported by the Burman family, started operating in 1884 as an Ayurvedic medicines company. Dabur successful journey changed from a family-run business to a professionally managed enterprise.

III. OBJECTIVES OF THE STUDY

1) To study financial performance of Dabur India Limited.
2) To know the production capacity or as well profitability, soundness of Dabur India Limited and the financial strength by assessing financial statement past ten years.
3) To relate the financial performance and to investigate the financial changes past ten years.

Other objectives

1. Confirming a fair return to shareholders.
2. Building up capitals for expansion and growth.
3. Ensuring optimum operational efficiency by effective utilization of resources.
4. Proper Financial Control in the Dabur India Limited.

IV. NEED FOR THE STUDY

1) One of the most fundamental facts about business is that the financial performance of the firm shapes its financial structure. Therefore in order to obtain a favourable financial structure it is necessary to study the efficiency of the firm.
2) The main problem in business that of making correct estimates for the future which cannot be done unless data representing changes over a period are systematically and scientifically analyzed.
3) Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and he profit and loss accounts.

V. SCOPE OF THE STUDY

1) The study helps to evaluate the decision making with regard to the financial performance.
2) The study would help to improve the operating efficiency of the company.
3) The study is carried out with the help of ten years financial statement of the Dabur India Limited.
4) It would help to improve the profitability of firm by reducing the cost wasted in various processes.

VI. LIMITATIONS

There were certain limitations in understanding this research work.

1) Performance analysis of company is done only for past ten years, due to time constraint.

2) The study is done with help of secondary data obtained from the annual reports of the organization.

VII. REVIEW OF LITERATURE

Sheela Christina (2011) described on Financial Performance of Wheels India Ltd. Secondary data collection method is used for the analytical type of research design. Before conducting a comprehensive study, a validity and reliability is to be checked for the past five years where the researcher used this for the purpose of study.
Gaur Jighyasu (2010) focuses on the financial performance measurement of business group companies with non-metallic mineral products industries of India. This study based on a business pool companies (57) and financial da ta of non-metallic mineral products industries of India such as glass, jewellery and gems, cement, , refractories ceramic tiles etc.
Amalendu Bhunia (2010) took the examination financial performance of pharmaceutical companies, to understand how the management of finance playing a vital role in the growth for a period of 1997-98 to 2008-09 i.e. to the tune of twelve years .
Edward I. Altman (1968) Financial ratios, discriminant analysis and the forecast of corporate insolvency. This study used to analyze the performance of the business enterprise by using ratio analysis method.
R.J.Taffler (1982) Forecasting of company failure in the UK due to discriminant analysis and financial ratio data. This paper reported on the discriminant model of operational for the purpose of identification of the British Companies which was under the risk of failure and discussed the results from their application since from their development.

VIII. RESEARCH METHODOLGY

Research Design:

Analytical research design is chosen for the study. This research is conducted to find out facts about a given topic and from the answers obtained develop new and useful ways of doing things. The analytical research usually concerns itself with cause-effect relationships.

IX. TOOLS USED FOR ANALYSIS

Data collected from the secondary sources in the form of annual report was analyzed using the tools. The following tools were used for the financial performance analysis

RATIO ANALYSIS

Profitability ratio

1) Gross profit ratio (GPR)
2) Operating profit ratio (OPR)
3) Net profit ratio (NPR)
4) Return on capital employed (ROCE)
5) Return on net worth (RONW)

Liquidity & solvency ratio

1) Current ratio (CR)
2) Quick ratio (QR)
3) Debt equity ratio (DER)

HYPOTHESES TESTING

The present study is based on financial performance of Dabur India Limited. The secondary data measured for the study consists of selected variables collected for the ten year period from 2008-09 to 2017-18.

The analysis and interpretation are based on the following hypotheses:

H_{01}: There is no significant relation of ROA on the ROCE, RONW, CR, QR and DER of Dabur India Limited.

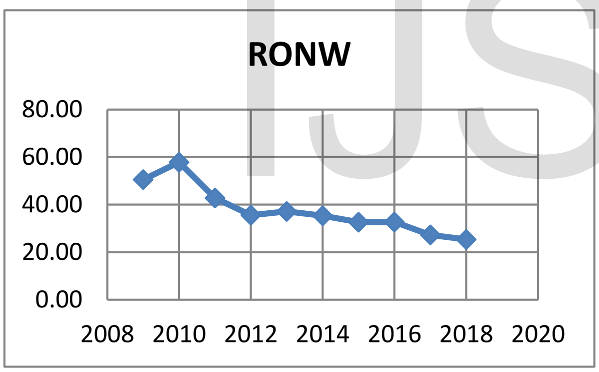
Comparative Financial Statements Analysis:

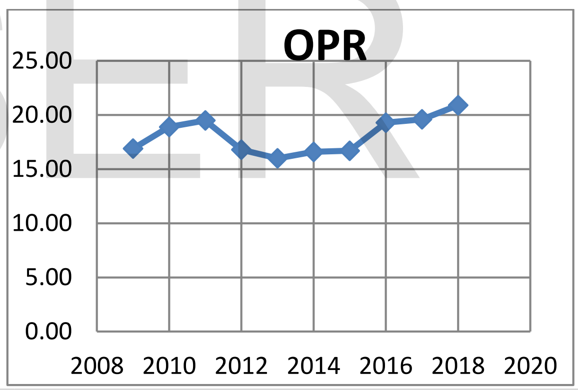
ANALYSIS AND INTERPRETATION

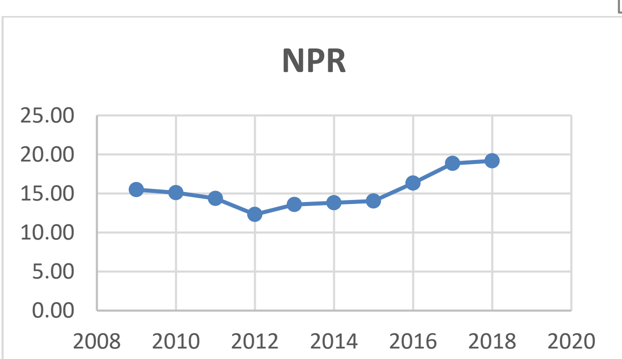
PROFITABILITY RATIO ANALYSIS

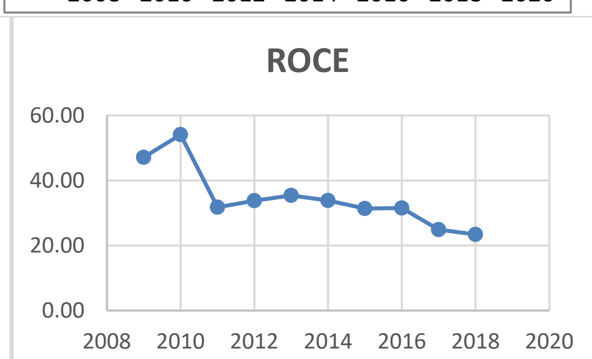
Year	GPR	OPR	NPR	ROCE	RONW	CR	QR	ROA	DER	EPS
2009	19.24	16.90	15.48	47.10	50.50	1.21	0.88	23.48	0.19	4.50
2010	19.84	18.90	15.10	54.11	57.81	0.95	0.64	24.50	0.14	5.80
2011	20.61	19.50	14.36	31.76	42.81	1.51	1.01	19.57	0.23	3.30
2012	18.94	16.80	12.32	33.76	35.56	1.48	0.99	18.89	0.21	3.70
2013	19.34	16.00	13.58	35.39	37.16	1.50	1.07	20.89	0.15	4.40
2014	19.20	16.60	13.80	33.85	35.33	1.66	1.16	21.52	0.02	5.20
2015	29.81	16.70	14.04	31.39	32.64	1.25	0.81	20.67	0.06	6.10
2016	22.52	19.30	16.33	31.51	32.71	1.32	0.91	21.08	0.03	7.10
2017	26.19	19.60	18.86	24.90	27.29	1.48	0.98	19.13	0.08	7.20
2018	27.03	20.90	19.17	23.41	25.36	1.59	1.02	18.44	0.07	7.70

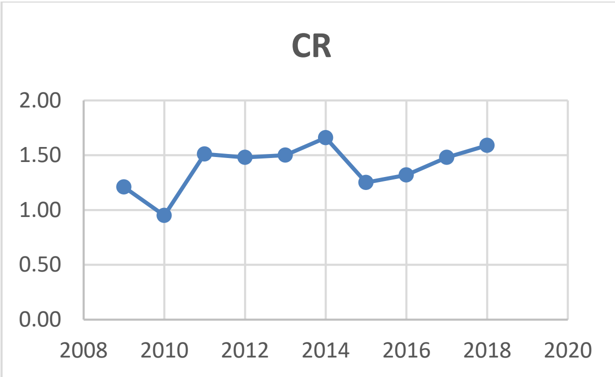
Given below shows a graph of RONW, OPR, NPR ,ROCE, CR & QR as well as DER and EPS of DABUR past ten years i.e. 2009 to 2018.

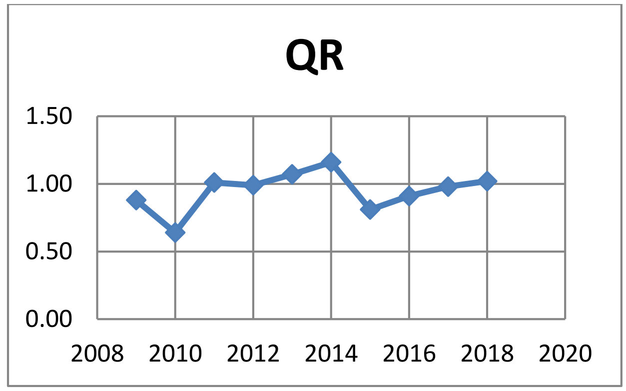


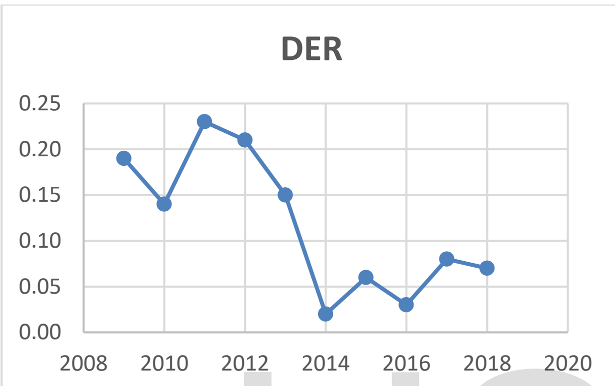


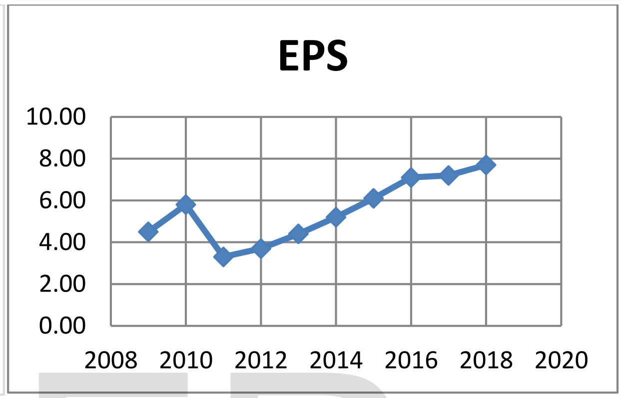




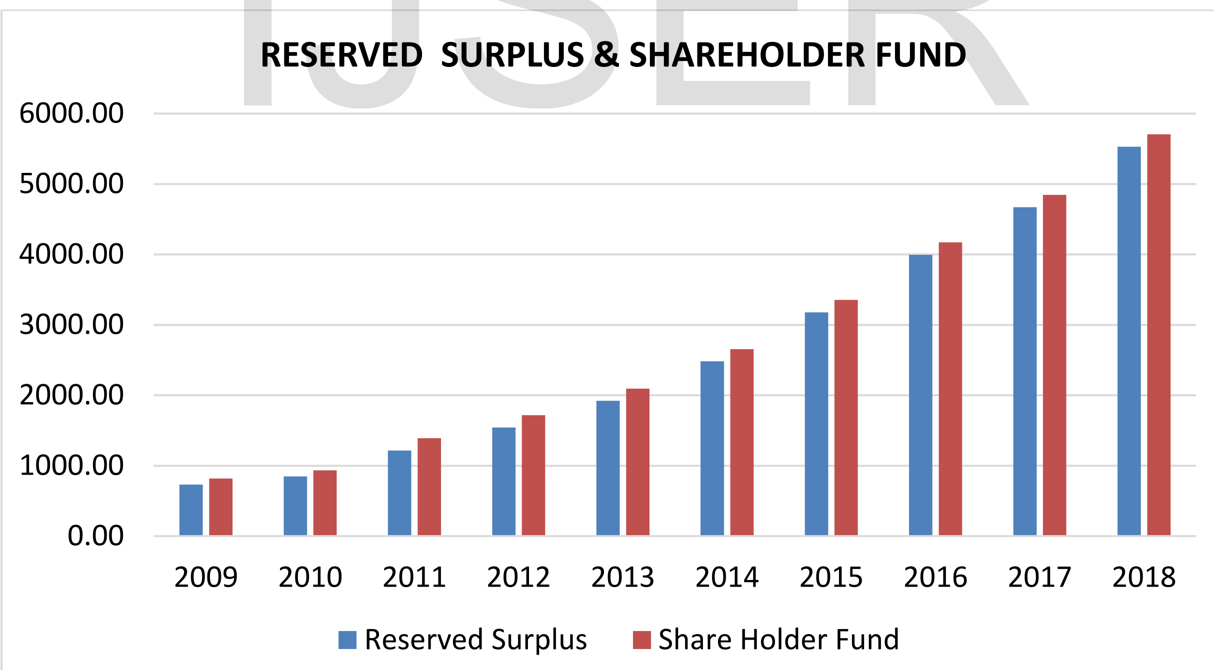








Given below shows a graph of Reserved Surplus and Shareholder fund past ten years :



GPR is higher in 2014-2015. In 2015-163 which reflects to drop trend from 29.81 to 22.52 this is mainly due to decrease in the gross profit. OPR has showed a growing tendency from the 16.00 in 2012-13 is increased to 20.90 due to massive increase in the operating profit. NPR increased to 12.32 in the year 2011-12 and it has increased to 19.17 in the year 2017-18 due to vast increase in the net profit. ROCE has showed a decreasing trend from the 54.11 in 2010-11 to 23.41 in 2017-18 due to huge decrease in the capital employed. RONW decreased from 57.81 in the year 2010-11 and it is declined to 25.36 due to huge fall in the net worth. CR has showed an increasing trend from the 1.45 in 2014-15 but earlier it was decrease to 0.90 in 2009-10 due to huge decrease in the profit before tax. QR increased to 1.02 in the year 2017-18 and the wonder it was declined to 0.64 in the year 2009-10 due to

CORRELATIONS

		GPR	OPR	NPR	ROCE	RONW	CR	QR	ROA	DER	EPS
GPR	Pearson Correlation	1	.386	.551	-.581	-.608	.026	-.168	-.424	-.512	.697*
	Sig. (2-tailed)		.270	.099	.078	.062	.944	.642	.222	.130	.025
	N	10	10	10	10	10	10	10	10	10	10
OPR	Pearson Correlation	.386	1	.795**	-.336	-.219	.026	-.139	-.311	-.144	.567
	Sig. (2-tailed)	.270		.006	.342	.543	.943	.702	.382	.691	.088
	N	10	10	10	10	10	10	10	10	10	10
NPR	Pearson Correlation	.551	.795**	1	-.390	-.389	.065	-.046	-.233	-.402	.808**
	Sig. (2-tailed)	.099	.006		.265	.267	.858	.900	.518	.250	.005
	N	10	10	10	10	10	10	10	10	10	10
ROCE	Pearson Correlation	-.581	-.336	-.390	1	.957**	-.774**	-.626	.919**	.374	-.369
	Sig. (2-tailed)	.078	.342	.265		.000	.009	.053	.000	.287	.294
	N	10	10	10	10	10	10	10	10	10	10
RONW	Pearson Correlation	-.608	-.219	-.389	.957**	1	-.715*	-.584	.841**	.532	-.494
	Sig. (2-tailed)	.062	.543	.267	.000		.020	.076	.002	.114	.147
	N	10	10	10	10	10	10	10	10	10	10
CR	Pearson Correlation	.026	.026	.065	-.774**	-.715*	1	.964**	-.756*	-.155	-.063
	Sig. (2-tailed)	.944	.943	.858	.009	.020		.000	.011	.668	.864
	N	10	10	10	10	10	10	10	10	10	10
QR	Pearson Correlation	-.168	-.139	-.046	-.626	-.584	.964**	1	-.591	-.111	-.181
	Sig. (2-tailed)	.642	.702	.900	.053	.076	.000		.072	.761	.616
	N	10	10	10	10	10	10	10	10	10	10
ROA	Pearson Correlation	-.424	-.311	-.233	.919**	.841**	-.756*	-.591	1	.039	-.125
	Sig. (2-tailed)	.222	.382	.518	.000	.002	.011	.072		.915	.731
	N	10	10	10	10	10	10	10	10	10	10
DER	Pearson Correlation	-.512	-.144	-.402	.374	.532	-.155	-.111	.039	1	-.790**
	Sig. (2-tailed)	.130	.691	.250	.287	.114	.668	.761	.915		.007
	N	10	10	10	10	10	10	10	10	10	10
EPS	Pearson Correlation	.697*	.567	.808**	-.369	-.494	-.063	-.181	-.125	-.790**	1
	Sig. (2-tailed)	.025	.088	.005	.294	.147	.864	.616	.731	.007	
	N	10	10	10	10	10	10	10	10	10	10

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

massive decline in the long term fund. DER originally improved to 0.23 in 2010-11 and slowly diminished to 0.07 in the year 2017-2018.

The correlation matrix above displays that Current Ratio and Quick Ratio has a strong negative relationship and Return on Capital Employed as well as Return on Net Worth has strong positive relationship with Returned on Assets (ROA). The strength of their negative and positive relationship is very high. The independent variable shows a positive and negative relationship with profitability and also statistically significant at p* of 5%. Therefore we conclude that increase ROA of Dabur India Limited escalations or reductions independent variable according to the basis of its restriction. However, there is no significance relationship has observed with other variable viz. Gross Profit Ratio, Net Profit Ratio and Operating Ratio.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.995[a]	.991	.979	.28442

a. Predictors: (Constant), DER, QR, ROCE, RONW, CR

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.687	5	6.937	85.760	.000[a]
	Residual	.324	4	.081		
	Total	35.011	9			

a. Predictors: (Constant), DER, QR, ROCE, RONW, CR
b. Dependent Variable: ROA

The table above shows the coefficient of multiple determinations R^2 which explains the extent to which the independent variables affect the dependent variable. In this case, 0.991 or 99.1% of the variations in the dependent variable are explained by the independent variables while 0.01 or 1% was affected by other variables outside the independent variables. So, this indicates that ROCE, RONW, CR, QR and DER are the major determining factor of Returned On Assets of the Dabur India Limited.

Model Specifications :

Methodology for analysis the microeconomic performance

To detect the functional form that describes how to increase financial performance of companies, it was started from the content of annual financial statements, of the possibilities to reflect the correlations between patrimonial elements and the conclusions of previous research. The technique used by this study is regression analysis. It is considered one of the most valuable methods of establishing a conditioning between various phenomena due to its high level of generality and applicability.

In order to select variables and appropriate performance analysis models we used the financial statements of Dabur India Limited for the period between 2009 and 2018.In order to specify the analysis model, we used as exogenous variable a series of indicators of financial analysis computed mainly as rates of the balance sheet, such as ROCE, RONW, CR, QR and DER.

$$(ROA)_y = [\beta_0 + \beta_1(ROCE) + \beta_2(RONW) + \beta_3(CR) + \beta_4(QR) + \beta_5(DER) + Є_i]_x$$

For the evaluation of profitability, Return on total assets (ROA) was used as a dependent variable. It is considered that it includes all the influences of the assets' management and it is acknowledged as a key indicator of increasing company performance; it also defines their economic growth potential.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.649	2.035		9.162	.001
	ROCE	.046	.051	.218	.897	.420
	RONW	.119	.043	.608	2.766	.051
	CR	-10.444	3.141	-1.124	-3.325	.029
	QR	12.664	3.678	.937	3.443	.026
	DER	-11.315	1.786	-.437	-6.335	.003

a. Dependent Variable: ROA

$$(ROA)_y = [18.649 + .046(ROCE) + 0.119(RONW) - 10.444(CR) + 12.6640(QR) - 11.315(DER) + Є_i]_x$$

The RONW, CR ,QR & DER have a significant relationship with Returned on Assets (ROA). The t- calculated of RONW, CR ,QR & DER shows 2.766 , -3.325, 3.443 and -6.335 respectively which indicates that above variable have very strong relationship with ROA. However, t's significance level varies from .003 to .05 . It shows that t_c (RONW, CR ,QR & DER) is statistically significant. Thus, the weight of the evidence suggests that we reject H_0 and accept alternate hypothesis i.e. H_1, that RONW, CR ,QR & DER have a significant relationship with ROA of the Cipla pharmaceutical. This means that a change in RONW, CR ,QR & DER practically have effect on Dabur India Limited on ROA. However, its significance level 0.420 of ROCE renders the t_c (ROCE) statistically insignificant.

X. CONCLUSION

The main objective of the present study is to identify the individual ratios which are affecting the profitability of the industry and to categorized the financial ratios into a small number of latent variable to represent a compact view of financial performance for a specified time period. The study divulges that the financial performance is very well covered. It has been maintaining good financial performance and further it can improve if the company focuses on its operating, Administrative and selling expenses and by dipping expenses.

The outcomes of the study show a robust dependent relationship between Dabur India Limited performance and how the available resources are achieved. For performance indicator Return on

Assets (ROA) were identified some influence factors that through their common action can contribute to increasing or lowering of the profitability of the analyzed company. From the many combinations that can be made with these factors, using the multifactor regression analysis, were selected some models with more significance in their economic content and statistical characteristics. Among the factors with a good action on profitability were found the efficiency of inventories credit velocity. The optimistic effects of them show also, some of the action ways in order to improve the performance.

The proper organization of operating activities should be aimed at the efficient use of Fixed Assets, which usually have the highest share in total assets. The efficiency of utilization of fix assets increases when the rotation of the component elements (inventories and receivables) speeds up so that overall result will be a higher earning.

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