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AN EVALUATIVE STUDY OF LIQUIDITY SOLVENCY AND PROFITABILITY OF DABUR INDIA LTD.,

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ABSTRACT:

The personal care industry is one of the fastest growing consumer care sector in India. *The cosmetics sector in India has continues and strong growth in domestic industry. This paper focuses on liquidity solvency and profitability of Dabur India ltd. ,for analyzing financial performance of the company ratio analysis has been used. In addition statistical tools such as Mean, Standard Deviation, Co-efficient of variation and Correlation also used.*

Key words: Ratio analysis, Solvency, Profitability, Dabur India td,.

INTRODUCTION:

Finance is a system that involves exchange of funds between lenders and borrowers and investors. Financial analysis is an essential part of all commercial operations it is used to find out financial stability , evaluation of economic trend and policy making and evaluation of business operations.

PROFILE OF THE COMPANY:

Dabur India limited was founded in 1884 and it operates as fast moving consumer goods company. The company manufactures Health supplements, Digestive products, shampoos, skincare products, oral care products and milk based beverages.

STATEMENT OF THE PROBLEM:

Personal care industry has immense importance due to huge demand for their products. Role of this industry in India's GDP is very significant as it is one of the biggest contributors to both central and state government. India can be self dependent only when domestic personal care industry do well. it is possible only when the companies have good financial health. Hence an attempt has been made to analyze the financial performance of ***Dabur India ltd.,*** and necessary suggestions have been provided.

SCOPE OF THE STUDY

The study find out the short term and long term financial position of ***Dabur India ltd.,***

OBJECTIVES OF THE STUDY

1. *To evaluate the liquidity position of* ***Dabur India ltd.,***
2. *To analyze the solvency and profitabilit of* ***Dabur India ltd.,***

. 3 *To analyze the overall financial performance of* ***Dabur India ltd.,***

4. *To offer suitable suggestions for future growth and development of* ***Dabur India ltd.,***

RESEARCH METHODOLOGY

The study is based on secondary data which is collected from the published financial statements viz., Trading and profit and loss account and balance sheet of the company..

PERIOD OF THE STUDY

The study period cover 5 years for 2017-2018 to 2021-2022

TOOLS FOR ANALYSIS

Mean ,Standard deviation, co efficient of variation and Karl pearson's Co - efficient of Correlation

LIMITATION OF THE STUDY

1. This study is mainly depends on secondary data in annual report of the company

2. The study is based on analyzing the financial position of Dabur India Limited ltd only. Hence it is not applicable to other companies

ANALYSIS AND INTERPRETATION OF THE DATA

CURRENT RATIO:

Current ratio is the relationship between current asset and current liabilities. This ratio measures a firm's capacity to pay off short – term obligations with its current assets.

Current ratio = Current assets / Current Liabilities

TABLE 1

CURRENT RATIO

YEAR	*RATIO*
2017-18	.95
2018-19	.92
2019-20	1.50
2020-21	1.17
2021-22	0.75
MEAN	**1.06**
SD	**.29**
CV	***27.36 %***

Source: Annual report of the company

The above table shows the current ratio of the company. The current ratio showed the fluctuating trend during the study period. The average current ratio registered as 1.06 and coefficient of variation showed as 27.36%.

QUICK RATIO :

The quick ratio is used to measures the company's ability to pay off short term obligations with liquid assets. Quick ratio is otherwise called acid test ratio.

Quick ratio = quick assets / Current Liabilities

TABLE 2

QUICK RATIO

YEAR	*RATIO*
2017-18	.48
2018-19	.56
2019-20	1.11
2020-21	.77
2021-22	.37
MEAN	**.66**
SD	**.29**
CV	***43.94 %***

Source: Annual report of the company

*The above table shows the quick ratio of the company **.**quick ratio showed the fluctuating trend during the study period. The average quick registered as .66 and coefficient of variation showed as 43.94%.*

GROSS PROFIT RATIO

Gross Profit ratio measures how profit the company makes from the sale of goods after deducting direct expenses.

Gross profit ratio = Gross profit / sales X 100

TABLE 3

GROSS PROFIT RATIO

YEAR	***RATIO***
2017-18	*21.14*
2018-19	*20.06*
2019-20	*19.82*
2020-21	*19.70*
2021-22	*19.23*
MEAN	***19.99***
SD	***.71***
CV	***3.55 %***

Source: Annual report of the company

The above table shows the gross profit ratio of the company. The gross profit ratio showed the fluctuating trend during the study period. The average ratio registered as 19.99 and coefficient of variation showed as 3.55%.

NET PROFIT RATIO

This ratio point out the efficiency of the overall operations of the firm. It measures the relationship between net profit and net sales

Net profit ratio = Net profit / sales X 100

TABLE 4

NET PROFIT RATIO

YEAR	***RATIO***
2017-18	*19.17*
2018-19	*20.15*
2019-20	*18.54*
2020-21	*19.23*
2021-22	*17.51*
MEAN	***18.92***
SD	***.98***
CV	***5.18 %***

Source: Annual report of the company

The above table shows the net profit ratio of the company. This ratio showed the fluctuating trend during the study period. The average ratio registered as 18.92 and coefficient of variation showed as 5.18 %.

INVENTORY TURNOVER RATIO:

This ratio is otherwise known as stock velocity ratio. This ratio measures the number of times the company has sold its inventory over a period of time.

Inventory turnover ratio = Cost of goods sold / Average inventory at cost

TABLE 5

INVENTORY TURNOVER RATIO

YEAR	***RATIO***
2017-18	*7.96*
2018-19	*8.56*
2019-20	*7.80*
2020-21	*6.45*

2021-22	*6.61*
MEAN	***7.48***
SD	***.91***
CV	***12.17 %***

Source: Annual report of the company

The above table shows the inventory turnover ratio of the company. This ratio showed the fluctuating trend during the study period. The average ratio registered as 7.48 and coefficient of variation showed as 12.17%.

DEBTORS TURNOVER RATIO

It is otherwise called as Debtors Velocity. The credit sales is one of the sales promotion technique of all companies. The volume of credit sales is mainly based on credit policy of the company.

Debtors Turnover ratio formula = Net Credit Sales/Average Accounts Receivable

TABLE 6

DEBTORS TURNOVER RATIO

YEAR	***RATIO***
2017-18	*17.09*
2018-19	*16.67*
2019-20	*15.56*
2020-21	*21.74*
2021-22	*22.23*
MEAN	***18.66***
SD	***3.09***
CV	***16.56 %***

Source: Annual report of the company

The above table shows debtors turnover ratio of the company. This ratio showed the fluctuating trend during the study period. The average ratio registered as 18.66 and coefficient of variation showed as 16.56 %.

FIXED ASSTS TURNOVER RATIO

The fixed asset turnover ratio by dividing the net revenue for the year by the average fixed asset , which is equal to the sum of the current and previous year balance divided by two.

Fixed assets turnover ratio= Net Revenue/Average Fixed Assets

TABLE 7

FIXED ASSET TURNOVER RATIO

YEAR	*RATIO*
2017-18	*3.48*
2018-19	*3.69*
2019-20	*3.34*
2020-21	*3.47*
2021-22	*3.45*
MEAN	***3.49***
SD	***.12***
CV	***3%***

Source: Annual report of the company

The above table shows the Fixed assets turnover ratio of the company. This ratio showed the fluctuating trend during the study period. The average ratio registered as 3.49and coefficient of variation showed as 3%.

DEBT EQUITY RATIO

The debt-equity ratio is a measure of the relative contribution of the creditors and shareholders In the business. Simply stated that it is the ratio of total long term debt and equity capital of the company .

Debt equity ratio = Total debt/ Shareholders equity

TABLE 8

DEBT EQUITY RATIO

YEAR	*RATIO*
2017-18	.07
2018-19	.03

2019-20	.02
2020-21	.03
2021-22	.09
MEAN	**.05**
SD	***.03***
CV	**60%**

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Source: Annual report of the company

The above table shows the debt equity ratio of the company. This ratio showed the fluctuating trend during the study period. The average ratio registered as .05 and coefficient of variation showed as 60%.

CORRELATION ANALYSIS

Karl pearson's Co - efficient of CorrelationKarl Pearson' s co efficient of correlation is a mathematical method applied to measure level of relationship between two related variables. The coefficient of correlation is expressed by "r"

Null Hypothesis H0:

There is no significant correlation between the dependent variable (net profit ratio) and independent variables.

Alternative Hypothesis H1:

There is significant correlation between the dependent variable (net profit ratio) and independent variables.

S. no	Independent variables	Correlation
1	Inventory turnover ratio	+.63
2	Debtors turnover ratio	-.48
3	Fixed Assets turnover ratio	+.71
4	Gross profit ratio	+.51

Source : Author's calculation

The above table shows the correlation analysis of the company . Inventory turnover ratio had moderate positive correlation , debtor turnover ratio had low negative correlation ,fixed asset turnover ratio had +had high positive correlation and gross profit ratio had moderate positive correlation with net profit ratio. There is no significant relationship between net profit ratio and debtors turnover ratio and there is significant relationship between Inventory turnover ratio , Fixed Assets turnover ratio and gross profit ratio.

SUGGESTIONS:

1.The company need to increase the current ratio by investing in current asset or by decreasing the current liabilities and try to maintain the standard norm of 2:1.

;2. The company should try to increase the net profit ratio because it reflects the operating efficiency of the company.

3. The selected ratios of the company showed fluctuating trend during the study period. So the company should maintain the at a particular level or standard norm

4. The company should take necessary steps to increase the inventory turnover in order to increase sales.

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5. The liquidity position of the company is not good .Hence the company should take certain steps to increase the ratio to meet the Short term obligations

CONCLUSION:

The study mainly concentrates on financial performance of the Dabur India limited. Finance is the life blood of each and every business. The efficiency of any firm is mainly depends upon the working operations. For survival of business, profit is essential one. The liquidity and solvency position of the company is not upto satisfaction level. Hence the company shout take certain steps to improve its liquidity and increase the profitability position so as to attain its goal.

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