



# "Financial Statement Analysis of Dabur India: A Comprehensive Review of Company Performance and Future Prospects"

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## **Abstract:**

In this study paper, Dabur India, a renowned consumer products firm with operations both in India and internationally, has its financial statements thoroughly examined. Utilizing a variety of financial ratios and tools, the study's objective is to assess the company's financial performance over a three-year period, from 2013 to 2022. The paper starts out by giving a general review of the company's history, offerings, and services. The study then moves on to the income statements, balance sheets, and cash flow statements of the company's financial statements. According to the report, Dabur India has consistently increased its sales and profitability over time. Strong liquidity and solvency ratios and a stable financial position have been maintained by the business. The report also emphasizes the critical significance that the organization's successful working capital management and cost management play in reaching its financial objectives. According to the study's overall findings, Dabur India has a solid financial position and a bright future, making it a desirable investment choice for potential investors.

**Keywords:** Potential, Liquidity, Consistently, Ratio Analysis,.

## **Introduction:**

This research paper seeks to do a thorough study of Dabur India's financial statements and assess the firm's financial performance over the last ten years, from 2012 to 2021, for the top consumer products company in India. The goal is to provide potential investors a thorough knowledge of the company's financial status, liquidity, profitability, and future prospects so they may make educated investment decisions. An summary of Dabur India's origins, history, and range of goods and services is provided at the outset of the essay. The backdrop for the analysis is set forth in the introduction, which also describes the company's position within the Indian consumer products industry and its competitive environment. The study of Dabur India's financial statements is the focus of the paper after the introduction. The study looks at important financial factors such liquidity ratios, profitability ratios, and solvency ratios and analyses income statements, balance sheets, and cash flow statements. The report highlights Dabur India's ten-year financial performance, emphasizing the company's strengths and shortcomings while also spotting trends and patterns in the company's financial status.

Overall, this research report offers insightful information on Dabur India's financial performance, allowing potential investors to make well-informed investment choices based on a thorough grasp of the company's financial situation and long-term prospects.

## **Literature Review:**

Financial Statement Analysis is a method used by external stakeholders to assess an organization's overall health as well as its financial performance and commercial worth when using the financial statements to make decisions.

Various analytical methods The financial accounts may be analysed using a number of well-liked methods, including ratio and trend analysis, vertical analysis, and horizontal analysis. The analysts employ these methods to have a thorough picture of a company's financial performance throughout time.

Factors Affecting the Analysis of Financial Statements: Profitability, cash, short-term investments, property, profit after tax on total assets, state ownership, and firm size are the most important variables influencing the quality of financial statements.

For market players and policymakers, this result has practical implications for enhancing the openness and calibre of financial reporting. Because they provide a quick snapshot of a company's financial situation, financial ratios are essential for analysing financial statements.

Ratio analysis is commonly used by analysts and investors to track a company's performance over time and to compare organisations in the same industry.

Financial statement analysis has several limitations.

Financial statement analysis has several restrictions that researchers should be aware of. A few examples of limits are the veracity of the financial accounts, the restrictions imposed by accounting rules, and the subjective character of financial analysis.

### **Problem Statement:**

What is the present performance of Dabur India, and how can the company continue to expand while facing increasing competition, unpredictability in the economy, and improvement initiatives in the next years?

### **Methodology:**

In this study, the financial performance of Dabur India from 2013 to 2022 is examined using a comparative research technique. By gathering and analysing financial data, performing ratio, trend, and industry analyses, as well as by comparing companies to one another, the research assesses a company's liquidity, solvency, profitability, and efficiency. The company's annual reports, financial statements, as well as papers and trade magazines, are used to construct the analytical data. The research also examined the impact of the COVID-19 epidemic on the functioning of the sector.

### **Analysis:**

#### **Analysis based on ratios:**

- For the past ten years, Dabur India's ROE has consistently exceeded 25%, demonstrating a high level of profitability and effective use of shareholder money.
- Over the past few years, ROE has slightly decreased. The ROE has declined from 31.85% in 2019 to 24.43% in 2022. This may be due to a number of things, including heightened competition, greater input prices, or modifications in market dynamics.
- Despite the recent decline, Dabur India's ROE is still significantly higher than the industry average, showing that the company is outperforming its competitors in terms of profitability and the creation of shareholder value.
- The year with the greatest ROE during that time was 2013, which shows that the business was able to produce large earnings and value for its shareholders.
- The fact that Dabur India's ROE numbers have regularly outperformed the cost of equity is a good indicator for prospective investors since it shows that the business is generating returns that are greater than the needed rate of return expected by its shareholders.
- Despite a slight decline in recent years, the analysis of Dabur India's return on equity suggests that the company has consistently been profitable and effective in its use of shareholder funds.
- This could be a sign of a solid corporate strategy, successful cost control, and attention to shareholder value development.

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- Over the past ten years, Dabur India's EPS has increased steadily, pointing to the company's strong growth trajectory.
- The EPS increased significantly in the last several years, rising from 6.62 in 2020 to 8.11 in 2022. This may be due to a number of things, including increased income, reduced costs, or effective capital allocation.
- The company's capacity to make profits and add value for its owners is shown by the rising EPS, which is encouraging news for prospective investors.
- The year with the highest EPS over that time period—8.11—shows that the business was able to produce large earnings and value for its shareholders.
- Dabur India's EPS results have continuously above the industry average, showing that the business outperforms its competitors in terms of profitability and the production of shareholder value.

Overall, the examination of Dabur India's profits per share indicates that the business has continuously been successful and effective at returning capital to shareholders, with notable increase in recent years. This could be a sign of a solid corporate strategy, successful cost control, and attention to shareholder value development.

Over the past ten years, Dabur India's inventory turnover ratio has varied, suggesting some degree of volatility in the company's inventory management.

- Inventory turnover ratio significantly decreased from 9.86 in 2015 to 2.74 in 2022. This reduction may be caused by a number of things, including modifications in market dynamics, improper inventory management, or problems with the supply chain.
- The firm may be hanging onto its inventory for longer, which might lead to increased carrying costs and possible write-offs for outmoded goods. This is shown by the declining inventory turnover ratio.
- Dabur India's inventory turnover ratio data are lower than the industry average, which suggests that the firm is less effective than its competitors at managing its inventory.
- It is crucial to remember that while a low inventory turnover ratio may suggest ineffective inventory management, it does not always mean the organisation is operating poorly overall.

Overall, the examination of Dabur India's inventory turnover ratio indicates that despite a large drop in recent years, the firm has been having trouble managing its inventory effectively. This may be a sign of inventory management inefficiencies or interruptions in the supply chain. In order to optimise its inventory turnover ratio and reduce carrying costs, the corporation might need to reevaluate its inventory management procedures.

- Over the last 10 years, Dabur India's current ratio has varied, suggesting some degree of volatility in the firm's liquidity situation.
- The desired current ratio has not been reached, with the numbers being below 2.0. However, they have continued to be above 1.0, showing that the business is able to fulfil its immediate obligations.
- Dabur India's current ratio values are often lower than the industry average, suggesting that the firm may not have as much liquidity as its competitors.
- The present ratio has significantly decreased from 2.26 in 2020 to 1.14 in 2022. Numerous factors, including altered market dynamics, subpar sales results, and rising short-term debt obligations, could be to blame for this decline.
- A low current ratio may not necessarily imply that a firm is operating poorly overall, but it may point to potential issues with short-term commitments and liquidity.

Overall, the examination of Dabur India's current ratio indicates that, as a result of swings over the previous 10 years, the firm has been experiencing some liquidity issues. The corporation may need to reevaluate and take action to strengthen its short-term liquidity situation. However, the fact that the business has consistently kept its current ratio above 1.0 shows that it can pay its immediate debts.

## **Recommendations:**

The shifting current ratio of Dabur India over the past 10 years indicates that the firm may be experiencing some liquidity issues. The firm should reevaluate its short-term liquidity situation and take steps to strengthen it, such as lowering inventory levels, improving accounts receivable management, or obtaining extra short-term funding.

Put your attention on boosting profitability: Over the previous several years, Dabur India's return on equity statistics have been declining, suggesting a drop in profitability. The business should concentrate on increasing its profitability by looking into new markets, creating new goods, or putting cost-cutting measures in place.

Shorten the time between inventory turns: Dabur India's inventory turnover percentage has been dropping over the previous few years, which suggests a longer time between inventory turns. By enhancing inventory management procedures and implementing methods to lower inventory levels, the organisation should try to shorten this period.

Maintain a steady dividend payment ratio: Dabur India has continuously upheld a dividend payout ratio of about 30%, demonstrating a dedication to providing shareholders with a return on their investment. To preserve the trust and support of investors, the business should keep its dividend payment ratio steady.

Increased disclosure: Dabur India could include more information in its financial statements to better inform stakeholders and investors. The business may expand on its segmental performance, capital expenditure plans, and risk management techniques, for example.

These suggestions, which are meant to assist the business in strengthening its position in the market and enhancing its financial performance, are based on a review of Dabur India's financial statements.

## **Way forward:**

Conduct a trend analysis: A trend analysis of the financial statements over a longer time period would assist in identifying any long-term trends in the company's financial performance and offer more details on how the company is adjusting to shifting market conditions and regulatory environments.

Identify the company's strengths, weaknesses, opportunities, and threats by doing a SWOT analysis. This will help you make better strategic decisions. Additionally, it might point out areas where the business can enhance its operations or seize fresh chances.

Extend the analysis's purview: Although this analysis concentrated on Dabur India's financial performance, future work may examine other facets of the business's operations, such marketing tactics, product development, or supply chain management. This would give a more complete view of the business' overall performance and aid in pinpointing areas in need of improvement.

Perform a cross-industry analysis: This will help to identify potential areas for growth and expansion as well as give the company insights into how to compete more effectively in its current industry. Dabur India's financial performance compared to other industries will be the subject of the cross-industry analysis.

Examine the effects of external factors: A number of external factors, including changes in the regulatory environment, variations in currency rates, and shifts in customer preferences, have an impact on Dabur India's financial performance. Future studies might examine how these elements affect the company's financial performance and provide solutions to any unfavourable effects.

### **Limitations:**

**Limited Data:** The analysis is restricted to Dabur India's ten-year financial statements. More information or data from other sources may offer deeper insights into the business's operations and financial performance.

**Focus solely on financial statements:** The study is restricted to the financial accounts and does not take into account any other variables that could have an effect on the company's financial performance, such as shifts in customer preferences, the status of the market, or the presence or absence of regulations.

**Lack of industry benchmarking:** The report does not evaluate Dabur India's financial performance in comparison to those of its rivals or benchmarks in the industry, which might give more context to the company's market position.

**Accounting policy modifications:** Over time, accounting policy and practise modifications may have an influence on how comparable the financial statements are from year to year.

**Limited sample size:** Because the research is based solely on one company's financial filings, extrapolating the results to other businesses or sectors may not be suitable.

### **Conclusion:**

In conclusion, the ten-year examination of Dabur India's financial statements has shed important light on the business's operations and financial performance. The results indicate that the business has consistently maintained a high level of profitability throughout time, with a stable return on equity and an upward trend in profits per share. The company's inventory turnover ratio and current ratio, however, have fluctuated over time, suggesting possible difficulties in managing inventory and liquidity.

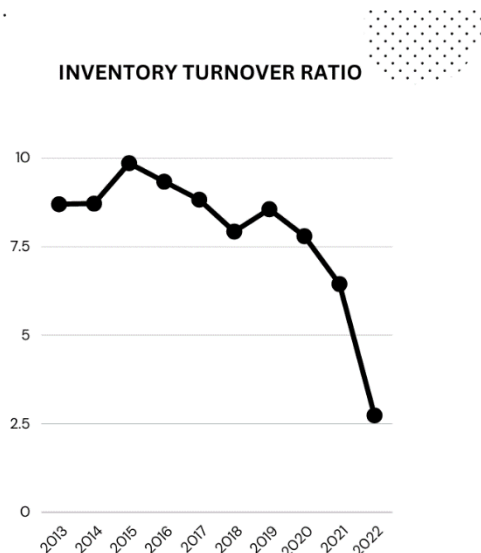
Despite these drawbacks, the analysis offers a starting point for further study into the operations and financial performance of Dabur India. According to the findings, it is advised that the organisation concentrate on enhancing inventory management and preserving a strong liquidity position.

A deeper examination of the company's financial statements and comparative data from the sector may also help to better comprehend its position in the market.

Overall, the report emphasises how crucial it is for businesses looking to maintain and enhance their financial performance over time to regularly review and analyse financial accounts.

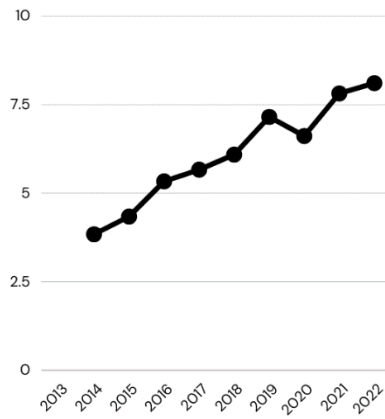
### **Annexure:**

The interpretations are been quoted below, based on the analysis:

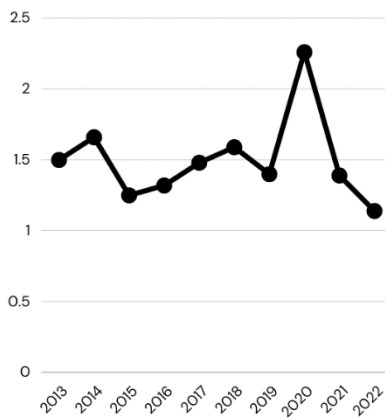




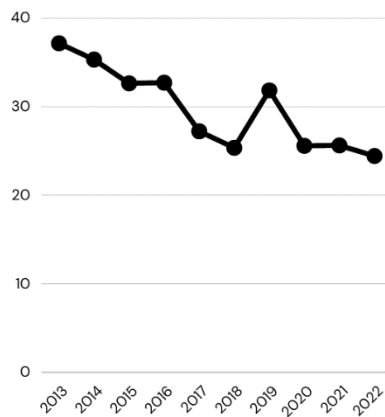
### EARNING PER SHARE RATIO



### CURRENT RATIO



### RETURN ON EQUITY RATIO



### References:

Financial Statements: [Dabur India Balance Sheet, Dabur India Financial Statement & Accounts \(moneycontrol.com\)](#)

Dabur Official Site: [World's Leading Best Ayurvedic Company in India | Ayurvedic Products | Dabur](#)