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COMPARATIVE FINANCIAL ANALYSIS BETWEEN DABUR INDIA & GODREJ LTD.

PROJECT REPORT

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ABSTRACT

Several companies have established a strong foot over this sector. Companies like Hindustan Unilever limited (HUL), Indian tobacco company (ITC), Dabur, Nestle, Godrej etc. have become common household names, not just in urban areas but also in the rural areas. Each company within the sector is a dominant player in the market under different sub-sectors. Each company within the sector is spending enormous amounts on their product building, product innovation, supply chains and so forth, to gain competitive edge over its peers.

INTRODUCTION

The contribution of the Fast-Moving Consumer Goods (FMCG) sector to the economy is on the rise, as the sector which is currently the 4th largest sector in India, continues to jump the ladder of rankings. The growth of the FMCG sector can be traced back to the 1990's. The abolishment of “license raj" and the other economic reforms that took place in the very year resulted in a spurt of new companies and the entry of foreign brands in India. The requirement of relatively lesser capital and technological know-how, prompted domestic and global players to enter the sector. The most striking feature of this industry is the high inventory turnover, i.e., the goods that are produced are converted into cash within a short span of time. In other words, the operating cycle of this sector is comparatively shorter than that of other sectors. Detergent, deodorants, mosquito repellent, cosmetics etc. are some products that are produced within the industry. Since the sector incorporates a diversified portfolio of products, therefore different companies dominate the market in various sub-sectors. It is among the few elite sectors, which is, to a large extent, insured against the forces of recession. In Fact, with the population increasing exponentially, the demand for such products also increases manifolds, as it caters to the needs of people of every age. The sector touches millions of lives every day. It will be no surprise to see this sector growing exponentially in the coming years.

SCOPE

The scope of the study is limited to the evaluation and the analysis of financial performance of the two leading companies in the FMCG industry. Though there are advanced and more comprehensive models available to measure the financial performance, our study focuses on evaluating the financial performance using the conventional financial ratios. Moreover, the study also aims to find whether or not these financial ratios are useful tools for the investors to invest their resources in the company, by studying the impact of financial ratios on return on capital employed.

OBJECTIVES

- To compare the financial performance of the two giants in the FMCG sector against each other.
- To compare the financial performance of Dabur India Pvt. Ltd. and Godrej Consumer Products with the average performance of other companies in the same industry.
- To study the relationship between the financial ratios and their impact on the return on capital employed.

LIMITATION

- The study exclusively depends upon the financial statements of the companies and hence subjected to all the inherent limitations and discrepancies, if any.

- The financial analysis done are taken from the secondary data, which is provided by the Dabur India & Godrej can be biased.

DABUR INDIA

Dabur is not just a pioneer in the FMCG sector, as we know it today, but rather it's a story of a doctor's unshakeable commitment to treating his patients with ayurvedic medications which eventually gave birth to a brand that was set to lead the market and set benchmarks with each of its endeavor. Founded in the year 1884 by Dr. S.K. Burman and headquartered in the capital of British India - Dabur embarked on its journey as a small clinic in one of the narrow lanes of the city.

COMPARATIVE BALANCE SHEETS OF DABUR AS ON MARCH 2020 – 2021

PARTICULARS	Mar-20	Mar-21	INCREASE/ DECREASE	PERCENTAGE
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	176.7	176.7	0.0	0.0
Reserves and Surplus	4397.5	5214.5	-817.0	18.6
Total Shareholders' Funds	**4574.2**	**5391.2**	**-817.0**	**17.9**
NON-CURRENT LIABILITIES				
Long Term Borrowings	24.7	19.6	5.1	-20.5
Deferred Tax Liabilities [Net]				
Other Long Term Liabilities	4.7	1.4	3.3	-70.6
Long Term Provisions	54.7	55.6	-0.9	1.6
Total Non-Current Liabilities	**84.0**	**76.5**	**7.5**	**-8.9**
CURRENT LIABILITIES				
Short Term Borrowings	89.3	152.0	-62.7	70.2
Trade Payables	1032.5	1480.7	-448.3	43.4
Other Current Liabilities	197.3	269.3	-72.0	36.5
Short Term Provisions	122.8	134.4	-11.6	9.5
Total Current Liabilities	**1441.9**	**2036.4**	**-594.6**	**41.2**
Total Capital And Liabilities	**6100.1**	**7504.2**	**-1404.1**	**23.0**
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets				
Tangible Assets	1060.8	1131.0	-70.3	6.6
Intangible Assets	25.2	26.4	-1.3	5.0
Capital Work-In-Progress	105.8	107.3	-1.4	1.4
Other Assets	48.4	47.4	1.0	-2.0
Non-Current Investments	1084.2	3122.8	-2038.6	188.0
Deferred Tax Assets [Net]	21.6	17.5	4.2	-19.3
Long Term Loans And Advances	16.8	16.4	0.4	-2.4
Other Non-Current Assets	472.3	205.5	266.7	-56.5
Total Non-Current Assets	**2834.9**	**4674.2**	**-1839.3**	**64.9**
CURRENT ASSETS				
Current Investments	1382.7	451.1	931.5	-67.4
Inventories	809.1	1114.2	-305.0	37.7
Trade Receivables	379.6	281.2	98.4	-25.9
Cash And Cash Equivalents	525.6	834.7	-309.1	58.8

Short Term Loans And Advances	1.2	1.8	-0.5	43.4
Other Current Assets	166.9	147.0	20.0	-12.0
Total Current Assets	**3265.2**	**2830.0**	**435.2**	**-13.3**
Total Assets	**6100.1**	**7504.2**	**-1404.1**	**23.0**

GODREJ

Established in 1897, the Godrej Group has its roots in India's Independence and Swadeshi movement. Our founder, Ardeshir Godrej, lawyer-turned-serial entrepreneur failed with a few ventures, before he struck gold with a locks business.

Today, we enjoy the patronage of 1.1 billion consumers globally across consumer goods, real estate, appliances, agriculture and many other businesses. In fact, our geographical footprint extends beyond Earth, with our engines now powering many of India's space missions.

COMPARATIVE BALANCE SHEETS OF GODREJ AS ON MARCH 2021 – 2022

PARTICULARS	**Mar-21**	**Mar-22**	**INCREASE/DECREASE**	**PERCENTAGE**
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	33.6	33.6	0	100
Reserves and Surplus	1,489.0	1,446.0	43.0	97.1
Employees Stock Options	3.56	3.51	0.0	98.6
Total Shareholders' Funds	**1,526.3**	**1,483.2**	**43.1**	**97.2**
NON-CURRENT LIABILITIES				
Long Term Borrowings	1,955.5	3,301.7	-1346.2	168.8
Other Long Term Liabilities	37.32	28.74	8.6	77
Long Term Provisions	14.82	16.41	-1.6	110.7
Total Non-Current Liabilities	**2,007.7**	**3,346.9**	**-1339.2**	**166.7**
CURRENT LIABILITIES				
Short Term Borrowings	2,339.8	2,858.3	-518.4	122.1
Trade Payables	600.28	745.23	-144.9	124.1
Other Current Liabilities	274.23	249.14	25.1	90.8
Short Term Provisions	4.83	6.45	-1.6	133.5
Total Current Liabilities	**3,219.2**	**3,859.1**	**-639.9**	**119.8**
Total Capital And Liabilities	**6,753.2**	**8,689.2**	**-1936.0**	**128.6**
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets				
Tangible Assets	1,293.3	1,297.2	-3.9	100.3
Intangible Assets	2.15	2.57	-0.4	119.5
Capital Work-in-Progress	72.83	38.13	34.7	52.3
Other Assets	474.19	446.45	27.7	94.1
Non-Current Investments	2,682.4	4,786.1		178.4
Deferred Tax Assets [Net]	0.5	0.5	0	100

Long Term Loans And Advances	8.13	0.87	7.3	10.7
Other Non-Current Assets	49.38	80.82	-31.4	163.6
Total Non-Current Assets	**4,583.0**	**6,652.7**	**-2069.7**	**145.1**
CURRENT ASSETS				
Current Investments	1,315.7	760.6	555.0	57.8
Inventories	410.54	632.05	-221.5	153.9
Trade Receivables	249.72	400.28	-150.5	160.2
Cash And Cash Equivalents	118.09	153.9	-35.8	130.3
Short Term Loans And Advances	0.24	0.22	0.02	91.6
Other Current Assets	75.93	89.41	-13.4	117.7
Total Current Assets	**2,170.2**	**2,036.5**	**133.7**	**93.8**
Total Assets	**6,753.2**	**8,689.2**	**-1936.0**	**128.6**

RATIO ANALYSIS AND INTERPRETATION

PROFITABILITY RATIO

The main object of every business concern is to earn profits. A business must be able to earn adequate profit in relation to the capital Invested in It. The following are the important profitability ratio.

OPERATING RATIO

The operating ratio shows the efficiency of a business by comparing the total operating expense (OPEX) of a company to net sales. The operating ratio shows how efficient a company's management is at keeping costs low while generating revenue or sales. The smaller the ratio, the more efficient the company is at generating revenue vs. total expenses.

Operating ratio = 100- Operating profit ratio

OPERTAING PROFIT RATIO

Operating profit ratio establishes a relationship between **operating Profit earned** and **net revenue generated from operations** (net sales). operating profit ratio is a type of profitability ratio which indicates operational efficiency of management. Net sales include both Cash and Credit Sales, on the other hand, Operating Profit is the net operating profit i.e. the Operating Profit before interest and taxes. Operating Profit ratio helps to find out Operating Profit earned in comparison to revenue earned from operations.

$$\textbf{Operating profit ratio} = \frac{\textbf{Operating profit}}{\textbf{Net sales}} \times 100$$

Year	Dabur	Godrej
2022	11.49	21.19
2021	7.37	21.70
2020	14.88	21.88

SUGGESTION

- The research has made use of eight different financial variables to compute the cumulative impact on the ROCE.
- However, there might be other variables which have a significant impact over the same. This opens a possibility for further research to substantiate the regression model.
- Also, different investors have different goals and they look for different variables before investing.

CONCLUSION

From this exhaustive and comprehensive research project done to analyze and compare the financial performance of the two giant FMCG companies and the FMCG industry on different financial parameters, we can conclude that in a majority of parameters Dabur has outperformed Godrej. But the performance of both the companies when compared to the industry fades out. Thus, we can conclude that individually there are some companies which are operating at a larger scale than the two companies under the study. Thus, it is safe to say that even though there are more advance tools to judge the future performance of the company, the importance of financial ratios cannot be made redundant.

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