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AN ANALYTICAL STUDY ON FINANCIAL HEALTH OF SELECTED PERSONAL CARE COMPANIES IN INDIA

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ABSTRACT:

The personal care industry manufactures consumer products used for beautifying and basic grooming. Beauty products and personal hygiene are personal care products. These products may vary from soaps and shampoos to moisturizer, toothpaste, facial tissue, cleansing pods, shaving creams, lotions, and others. Growing disposable income has helped the growth of India's beauty and personal care industry in recent years. With the disposable income, demand for improved products, and a growing expectation to look good among Indian consumers, the beauty and personal care market in India has a golden opportunity to expand exponentially. This paper focuses on short term and long term financial health of selected personal care companies in India ,for analyzing financial performance of the company ratio analysis has been used. In addition to that statistical tools such as Mean, Standard Deviation, Co-efficient of variation, Skewness , kourtosi s and ANOVA also applied.

Key words: Ratio analysis, liquidity, Profitability, financial performance.

INTRODUCTION:

Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment.

STATEMENT OF THE PROBLEM:

Personal care industry has an 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 state and state government. India can be self dependent only when domestic personal care industry do well. The personal care industry is projected to witness rapid growth especially post the COVID19 pandemic as now people are more inclined to maintaining better hygiene in order to keep away from germs and viruses that may lead to health issues of any kind in later stages. *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, it is possible only when the companies have good financial health Hence an attempt has been made to analyze   the financial performance of selected personal care companies in India and necessary suggestions have been provided.*

SCOPE OF THE STUDY

The study find out the short term and long term solvency and profitability position   of selected personal care companies in India The researcher has selected only four companies in India.

OBJECTIVES OF THE STUDY

1. *To analyze the short term solvency of selected personal care companies in India.*

2. *To analyze the long term solvency of selected personal care companies in India.*

3.*To analyze the profitability position of selected personal care companies in India.*

4. *To analyze the overall financial health of selected personal care companies in India*

5. To offer suitable suggestions for future growth of selected personal care companies in India.

RESEARCH METHODOLOGY:

Sources of data:

The study is mainly 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.

Sampling technique:

There are more than 100 personal care companies in India apart from small companies. Many of the companies are listed in recognized stock exchange and some of them are not .Among the top companies in terms of net sales were selected. For sample selection the researcher has used purposive sampling technique.

Sample size:

The research selected 4 companies such as Hindustan Unilever Limited , Dabur India Limited, Marico limited and Godrej Consumer Ltd., on the basis of net sales.

Period of the study

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

TOOLS FOR ANALYSIS

MEAN, SD, CV ,SKEWNESS , KOURTOSIS AND ANOVA.

LIMITATION OF THE STUDY

1. This study is mainly depends on secondary data collected from the company ,

2. The study is based on analyzing the growth and profitability position of selected personal care companies in India. only. Hence it is not applicable to other companies

ANALYSIS AND INTERPRETATION OF THE DATA

TABLE 1

CURRENT RATIO

Company / Year	HUL	DABUR	MARICO	GODREJ
2017-18	1.29	.95	2.45	1.26
2018-19	1.36	.92	2.35	1.12
2019-20	1.31	1.50	2.34	1.20
2020-21	1.26	1.17	2.11	1.55
2021-22	1.34	.75	2.06	2.62
MEAN	1.31	1.06	2.26	1.55
SD	.40	.29	.17	.62
CV	30.53	27.36	7.52	40
Skewness	-.13	.95	-3.47	1.89
kurtosis	-1.17	.60	-2.46	3.59

Source: Author's Calculation From Annual report of the respective companies

The table 1 shows the current ratio of selected personal care companies in India.The current ratio satisfies the standard norms of 2: 1 by all companies except Dabur India ltd. .Godrej India ltd., registered   the highest variation of 40%. And Marico ltd., registered the lowest variation of 7.52%

CURRENT RATIO (ANOVA Test)
 Hypothesis::
There is no significant difference in current ratio of selected Personal care companies in India under study.

TABLE 2

CURRENT RATIO (ANOVA Test)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	3618.172	3	1206.057	3.018	.3.24
Within Groups	6393.561	16	399.598		
Total	10011.732	19			

Source: Authors calculation

The table 2 indicates that the calculated value of F is < F Critical value (at 5% level of significance) . The hypothesis is accepted. Hence it is concluded that the current ratio of selected personal care companies do not differ significantly.

TABLE 3

QUICK RATIO

Company / Year	HUL	DABUR	MARICO	GODREJ
2017-18	1.02	.48	1.07	.91
2018-19	1.07	.56	1.28	.74
2019-20	1.02	1.11	1.31	.81
2020-21	.95	.77	1.45	.98
2021-22	.98	.37	1.26	1.78
MEAN	1	.66	1.27	1.04
SD	.45	.29	.14	.42
CV	65	43.94	11.02	40.38
Skewness	.11	1.06	.-.50	4.08
kurtosis	.20	.57	1.80	2

Source: Author's Calculation From Annual report of the respective companies

The table 3 shows the quick ratio of selected personal care companies in India. The Quick ratio satisfied the standard norms of 1: 1 by Marico ltd., and all companies did not satisfied the standard norm. .HUL., registered the highest variation of 65%. And Marico ltd., registered the lowest variation of 11.02%.

QUICK RATIO (ANOVA Test)

Hypothesis:

There is no significant difference in quick ratio of selected personal care companies in India under study.

TABL 4

QUICK RATIO (ANOVA Test)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	973.234	3	324.411	1.016	.3.24
Within Groups	5107.954	16	319.247		
Total	6081.188	19			

Source: Authors calculation.

The table 4 indicates that the calculated value of F is < F Critical value (at 5% level of significance) .The hypothesis is accepted. Hence it is concluded that the quick ratio of selected personal care companies do not differ significantly.

TABLE 5

NET PROFIT RATIO

Company / Year	HUL	DABUR	MARICO	GODREJ
2017-18	15.16	19.17	13.39	19.00
2018-19	15.79	20.15	18.90	30.90
2019-20	17.37	18.54	17.20	21.55
2020-21	17.29	19.23	17.45	19.57
2021-22	17.22	17.51	15.50	21.27
MEAN	16.57	18.92	16.49	22.46
SD	1.02	.98	2.11	4.84
CV	6.16	5.18	12.80	21.55
Skewness	-.81	-.43	-.68	1.96
kurtosis	-2.10	.67	.91	4.00

Source: Author's Calculation From Annual report of the respective companies

The table 5 shows the net profit ratio of selected personal care companies in India. .Godrej India ltd., registered   the highest variation of 21.55%. And DaburIndia ltd., registered the lowest variation of 5.18%.

NET PROFIT RATIO(ANOVA Test)

 Hypothesis:

There is no significant difference in net profit ratio of selected personal care companies in India under study.

TABLE 6

NET PROFIT RATIO(ANOVA Test)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	117.920	3	39.307	5.258	. 3.24
Within Groups	119.607	16	7.475		
Total	237.527	19			

Source: Authors calculation

The table 6 indicates that the calculated value of F is > F Critical value (at 5% level of significance).The hypothesis is rejected. Hence it is concluded that the in net profit ratio of selected personal care companies differ significantly.

TABLE 7

RETURN ON CAPITAL EMPLOYED

Company / Year	HUL	DABUR	MARICO	GODREJ
2017-18	86.53	23.41	23.40	27.14
2018-19	92.27	37.75	33.48	30.69
2019-20	89.49	32.79	43.69	27.94
2020-21	18.90	30.95	44.22	25.26
2021-22	20.09	30.47	45.08	21.57
MEAN	61.46	38.07	37.97	26.52
SD	38.36	5.16	9.41	3.39
CV	62.41	13.55	24.78	12.78
Skewness	-.60	-.45	-1.19	-.51
kurtosis	-3.31	1.58	.50	.64

Source: Author's Calculation From Annual report of the respective companies

The table 7 shows the Return On Capital Employed ratio of selected personal care companies in India. .Hindustan Unilever Ltd., ltd., registered   the highest variation of 62.41 %. and Godrej India ltd., registered the lowest variation of 12.78 %.

Return On Capital Employed (ANOVA Test)

Hypothesis:
There is no significant difference in return on capital employed ratio of selected personal care companies in India under study.

TABLE 8

RETURN ON CAPITAL EMPLOYED (ANOVA TEST)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	3618.172	3	1206.057	3.018	.3.24
Within Groups	6393.561	16	399.598		
Total	10011.732	19			

Source: Authors calculation

The table 8 indicates that the calculated value of F is < F Critical value (at 5% level of significance) .The hypothesis is accepted. Hence it is concluded that the return on capital employed ratio of selected personal care companies do not differ significantly.

TABLE 9

RETURN ON NET WORTH

Company / Year	HUL	DABUR	MARICO	GODREJ
2017-18	71.02	25.36	23.61	21.54
2018-19	78.80	31.85	32.35	35.62
2019-20	83.89	25.58	34.86	23.01
2020-21	16.76	25.63	36.44	19.25
2021-22	18.08	24.43	38.14	18.83
MEAN	53.71	26.57	33.08	23.65
SD	33.45	2.99	5.71	6.90
CV	62.28	11.25	17.26	29.18
Skewness	-,53	2.08	-1.5	1.91
kurtosis	-3.21	4.53	2.41	2

Source: Author's Calculation From Annual report of the respective companies

The table 9 shows the Return On net worth ratio of selected personal care companies in India.

.Hindustan Unilever Ltd., ltd., registered   the highest variation of 62.28%. and Dabur India ltd., registered the lowest variation of 11.25%.

Return On Net worth(ANOVA Test)

Hypothesis:
There is no significant difference in return on net worth ratio of selected personal care companies in India under study.

TABLE 10

RETURN ON NET WORTH (ANOVA TEST)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	2757.014	3	919.005	3.043	3.24
Within Groups	4831.572	16	301.973		
Total	7588.587	19			

Source: Authors calculation

The table 10 indicates that the calculated value of F is < F Critical value (at 5% level of significance). The hypothesis is accepted. Hence it is concluded that the return on net worth ratio of selected personal care companies do not differ significantly.

TABLE 11

RETURN ON NET ASSET

Company / Year	HUL	DABUR	MARICO	GODREJ
2017-18	30.53	18.44	17.86	15.09
2018-19	33.78	22.66	23.72	26.33
2019-20	34.37	19.18	24.34	16.99
2020-21	11.67	18.41	24.67	15.90
2021-22	12.64	16.67	25.86	16.65
MEAN	24.60	19.07	23.29	18.19
SD	11.46	2.21	3.13	4.61
CV	46.59	11.59	13.44	25.34
Skewness	-.54	1.23	-1.89	2.09
kurtosis	-3.22	2.50	3.90	4.51

Source: Author's Calculation From Annual report of the respective companies

The table 11 shows the Return On net asset ratio of selected personal care companies in India. .Hindustan Unilever Ltd., ltd., registered the highest variation of 46.59 %. and Dabur India ltd., registered the lowest variation of 11.59%.

Table 12

Return on net asset (ANOVA Test)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	147.300	3	49.100	1.175	
Within Groups	668.816	16	41.801		3.24
Total	816.116	19			

Source: Authors calculation

The table 12 indicates that the calculated value of F is < F Critical value (at 5% level of significance). The hypothesis is accepted. Hence it is concluded that the return on net asset ratio of selected personal care companies do not differ significantly.

TABLE 13

DIVIDEND PAYOUT RATIO

Company Year	HUL	DABUR	MARICO	GODREJ
2017-18	74.39	44.49	88.52	61.31
2018-19	75.31	126.31	53.94	69.88
2019-20	77.11	52.78	99.37	69.31
2020-21	110.77	42.84	87.52	.00
2021-22	85.26	67.85	102.75	.00
MEAN	84.57	66.85	86.42	40.10
SD	15.26	34.68	19.33	36.76
CV	18.04	51.88	22.36	91.67
Skewness	1.84	1.82	-1.60	-.71
kurtosis	3.34	3.34	2.85	-3,29

Source: Author's Calculation From Annual report of the respective companies

Dividend Payout Ratio(ANOVA test)

Hypothesis::

There is no significant difference in dividend payout ratio of selected personal care companies in India under study.

TABLE 14

DIVIDEND PAYOUT RATIO(ANOVA TEST)

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value.
Between Groups	6923.457	3	2307.819	2.920	. 3.24
Within Groups	12643.752	16	790.235		
Total	19567.210	19			

Source: Authors calculation

The table 14 indicates that the calculated value of F is < F Critical value (at 5% level of significance). The hypothesis is accepted. Hence it is concluded that the dividend ratio of selected personal care companies do not differ significantly.
 SUGGESTIONS:

1. Current ratio and quick ratio of Dabur India ltd., is not attaining the standard norm. So the company should try to maintain adequate current assets to improve it's short term financial position.
2. It can be found that return on capital employed and return on net worth of HUL had highest variation. Hence the HUL should concentrate on reducing the highest variation in return on capital employed and net worth.
3. Dabur India ltd., had highest variation in dividend payout ratio. Hence the company should reduce such variation to retain the existing shareholder and also attracting the new investors .

CONCLUSION:

The study mainly concentrates on the analysis of financial soundness of the selected personal care companies in India. It helps to understand the total financial health of the company. Financial position of HUL,MARICO and GODREJ are satisfactoty.It can be concluded that Dabur India limited should maintain adequate current assets to improve its short term financial position and also reduce the variation in dividend payout ratio.

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