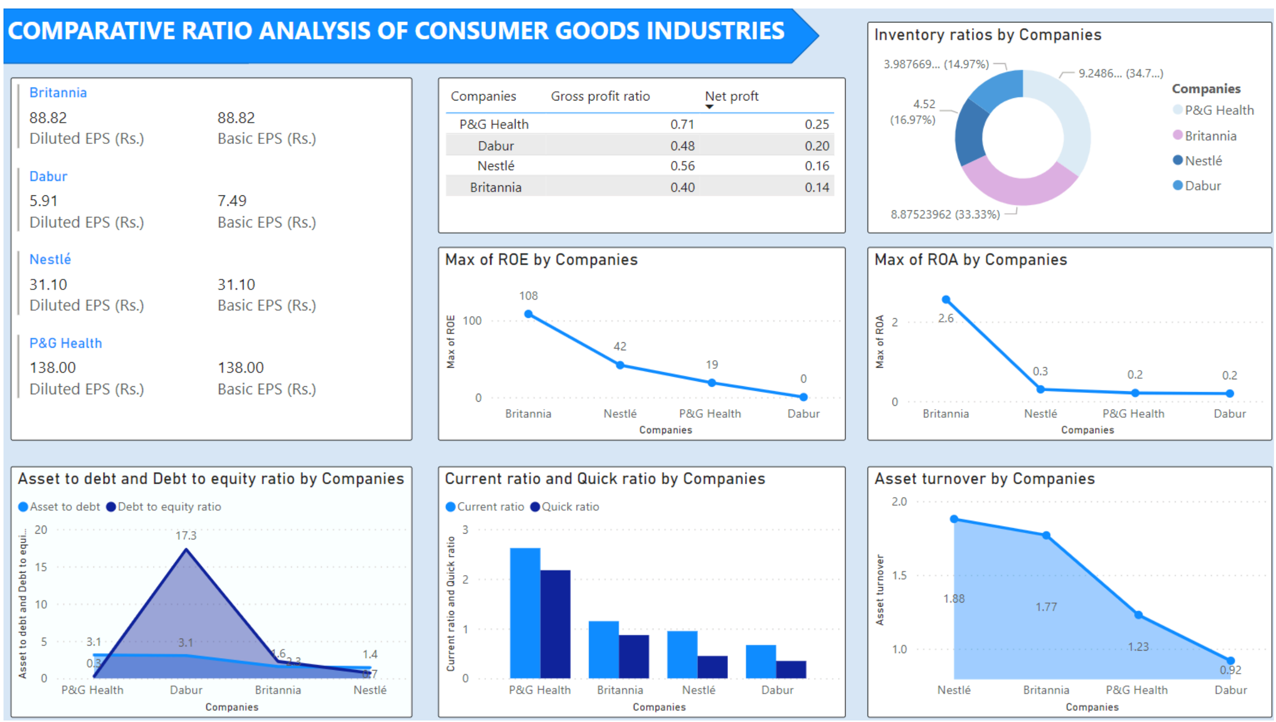
Ratio Analysis: Companies in the Consumer goods Industry

In this report, we will be analyzing the following companies:

- Nestlé India Limited
- Procter & Gamble
- Dabur India Ltd
- Britannia Industries Limited

The consumer goods industry is an industry that runs entirely on the demand of its goods, its substitute goods; both based on the ever-changing user preferences, and its marketing strategies. Companies in the industry work heavily on product promotion through direct advertisement and business channels.

Comparative ratio Analysis of Consumer Goods Industries Dashboard for the year 2023



Companies	Gross profit ratio	Net proft	ROA	ROE	Current ratio	Quick ratio	Inventory ratios	Asset turnover	Debt to equity ratio	Asset to debt	Basic EPS (Rs.)	Diluted EPS (Rs.)
Nestlé	0.56	0.16	0.3	41.88	0.95	0.45	4.52	1.88	0.7261	1.44	31.1	31.1
P&G Health	0.712350061	0.251760803	0.208383658	18.92771084	2.619611714	2.175584074	9.24862902	1.23	0.25723045	3.143562661	138	138
Dabur	0.483229027	0.201472591	0.195528653	0.290870829	0.67	0.35	3.987669252	0.919295927	17.30195282	3.05080964	7.492	5.908
Britania	0.4	0.14	2.56	108.4404317	1.149613302	0.870155875	8.87523962	1.769426495	2.265383977	1.582915392	88.82	88.82

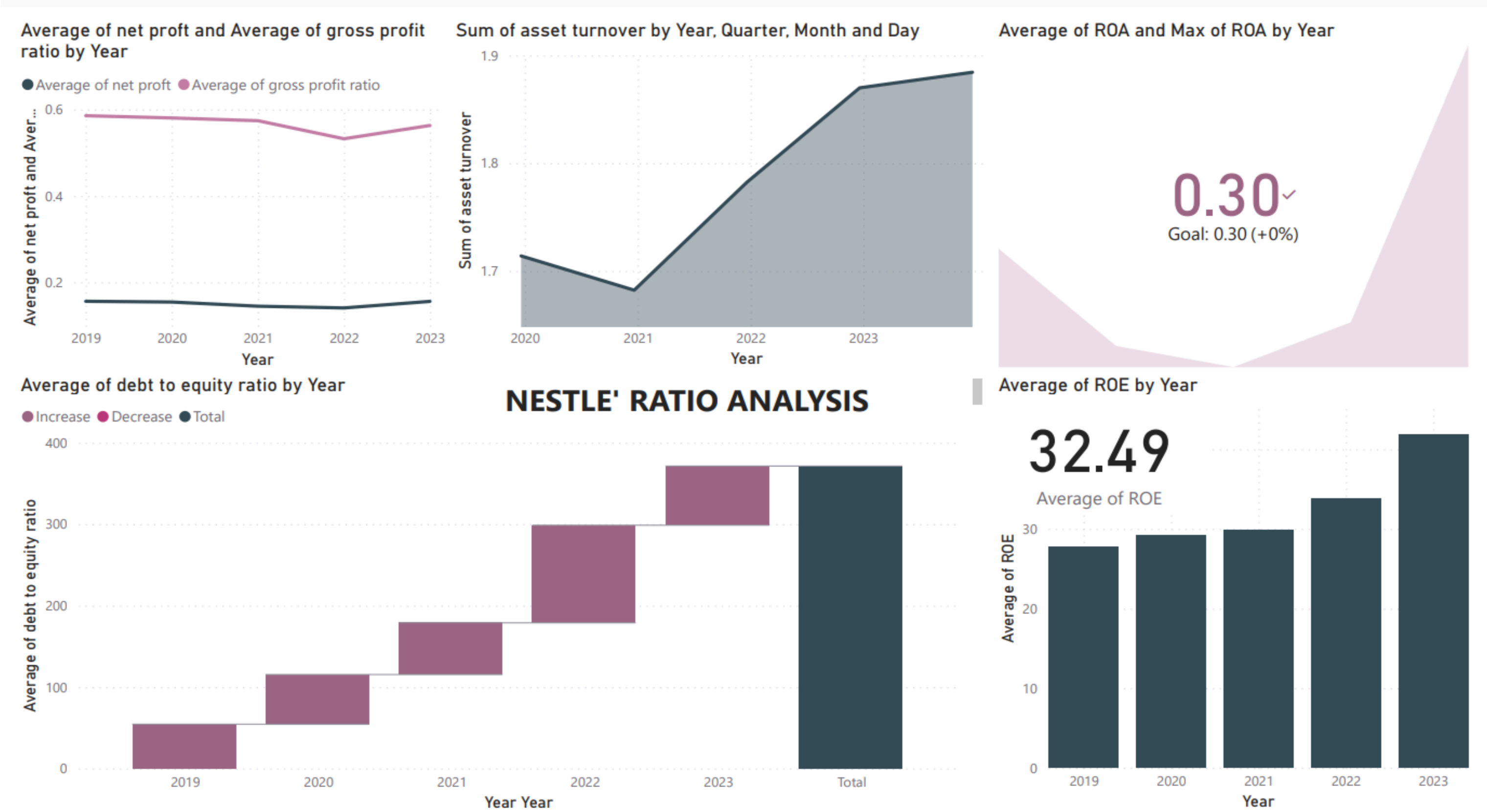
A comparative analysis of the 4 companies has the following results:

1. **Asset to Debt and Debt to Equity ratio:** The asset to debt ratio of the 4 companies for the year 2023 tells us that P&G Health has a significant potential

when compared to other companies of covering their long term debts by its total asset. Dabur has a higher debt to equity ratio when compared to other companies in the year 2023, where the company has sufficient shareholders' equity, and it does not require any money to finance its business and its operations for growth.

2. **Current ratio and Quick Ratio:** Comparative analysis of the companies indicates that P&G has the highest current ratio, which has helped the company to meet its short-term obligations. Quick ratio analysis shows that P&G has a ratio above 1:1, which is an ideal ratio for any company to have, to be able to meet its short term liabilities at a quicker pace.
3. **Return on Assets:** Britannia has the highest return on assets ratio among all the companies. Helping us understand that it has the maximum profit among all the companies. Britannia is successfully utilizing its assets in generating profit.
4. **Return on Equity:** Britannia still remains on the top when it comes to return on equity ratio, generating enough trust of its shareholders and investors in investing in future, when compared to all the remaining companies.
5. **Gross Profit Ratio:** Procter and Gamble health company has the highest gross profit ratio of 0.71 as compared to the other companies. This indicates that the company has strong control over their cost management. On the other hand, Britannia Industries Limited has a lower gross profit ratio compared to others and this suggests that the company should focus more on the factors like production cost, pricing strategy and market competition to enhance their profitability.
6. **Net Profit:** Nestle and Britannia companies have reflectively low net profit which indicates both the companies need strategies that focus on increasing their volume growth, to enhance their financial stability and long term success.
7. **Asset Turnover:** Dabur Ltd. company has the highest asset turnover, indicating their efficient asset base utilization. Nestle and Britannia also reflect having strong market positions and maintaining healthy asset management operations.
8. **Inventories Ratios:** P&G and Britannia both have inventories ratios which demonstrate that they have a better cash flow as compared to Nestle and Dabur. High inventory ratio also suggests that the companies have an efficient inventory management, which involves optimal resources utilization, and also maintaining minimal holding costs.

1. Nestlé India Limited



Nestlé has managed to maintain consistently positive results in all 5 years. This is really attractive to investors as it ensures a similar outcome for their own stakes or shares in the company. We can see this reflected in its ratios, as analyzed below.

*Note * The ratios are to be read from right to left. The ratios for 2019 (right) to the year 2023 (left)*

a) **Liquidity ratios**: since 2021-23, its **currents ratios** and **quick ratios** have not matched the ideal value of 2:1 and 1:1 respectively. This means that their ability to pay off their current liabilities with their current assets and their liquidable assets has decreased and put them under financial risk.

Liquidity ratios	**Current ratio**	0.95	1.13	1.05	1.68	1.74
	Quick ratio	0.45	0.51	0.45	1.11	1.16

b) The **gross profit ratio** shows how much of its sales is its additional earning. It matches the ideal range of 50-70%.

Its **net profit ratio**, which indicates how much of its revenue a company retains, also lies in the healthy range of 10-20% and indicates the stability and profitability of business.

ROA should be compared between the companies of an industry and not individually. This is because the asset structure differs across sectors.

ROE also differs across sectors. Tech companies may have ROE above 100% while utilities sector may make the 10s range

Ratios	Year	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Profitability ratios	**Gross profit ratio**	56%	53%	57%	58%	59%
	Net proft	16%	14%	14%	15%	16%
	ROA	30%	27%	26%	26%	27%
	ROE	41.88	33.77	29.91	29.17	27.74

c) The **Inventory turnover ratio** measures how often a company has to restock in a year due to its sales. A good ratio between 5-10 indicates that the company makes a good amount of sales, enough to have to restock every 1-2 months.

The company also has a healthy **Asset turnover ratio** which should usually be above 1. It indicates that Nestle has been consistently efficient in utilizing its assets for generating net revenue.

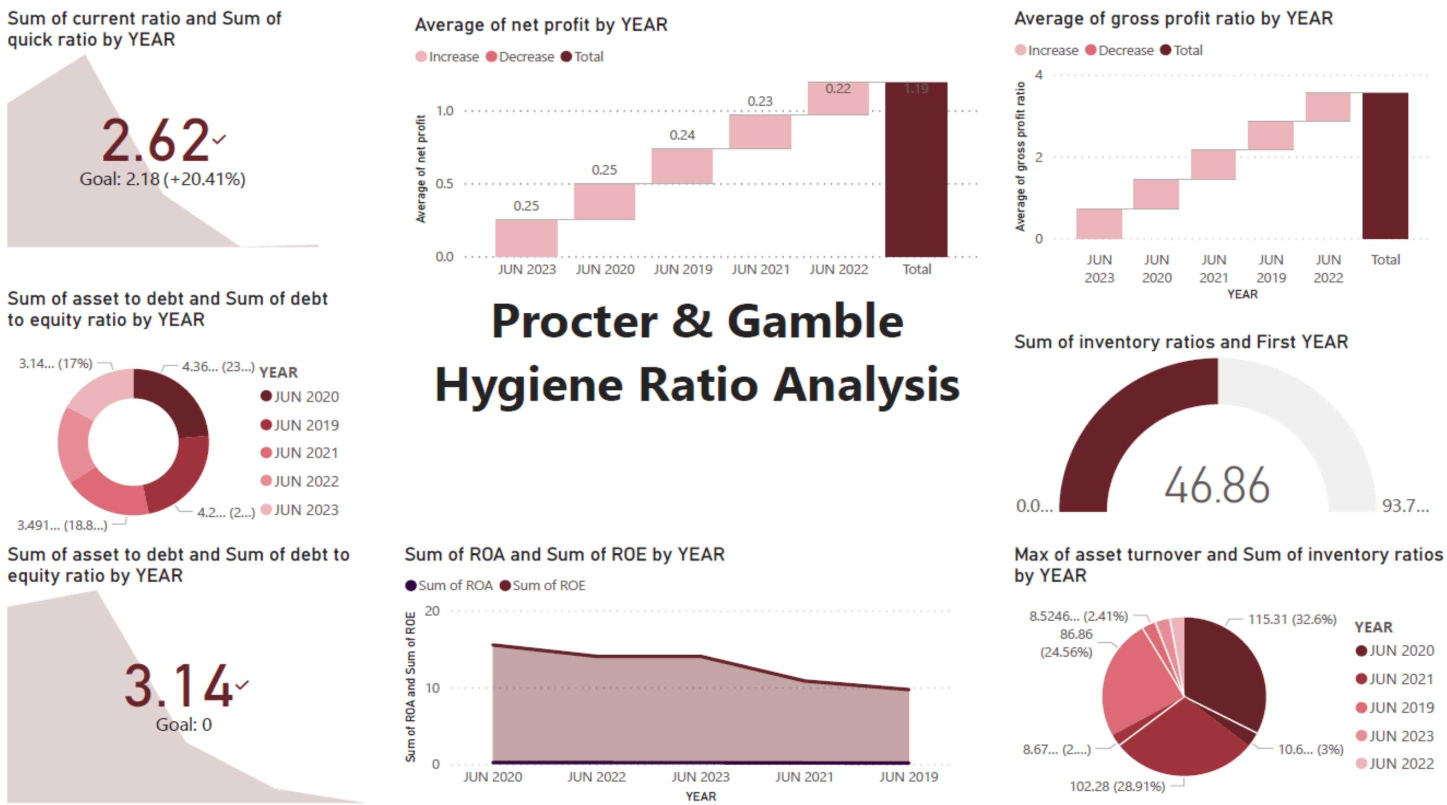
Efficiency ratios	**Inventory ratios**	4.52	4.15	4.04	4.05	4.18
	Asset turnover	1.88	1.87	1.78	1.68	1.71

d) A **Debt to equity** ratio between 1 to 1.5 is considered safe, but for capital heave industries, the ratios can go up to 2.5. Higher the ratio, it shows that the company had too much debt and can be seen as a drawback for long term-investors.

A **Debt to asset ratio** between 30-60% is usually seen as safe, the company's debt ratio for FY-22 was very high, indicating great financial risk and a lack of ability to repay its debts. However the company has managed to relatively recover from that in FY-22, though it is still above the desired range, and might not be the safest choice for investors.

Solvency ratios	**Debt to equity ratio**	72.61	119.81	63.53	60.99	54.49
	Asset to debt	1.44	0.78	1.34	1.34	1.37

2. Procter and Gamble Health



Procter and Gamble health also was able to maintain a positive status when it comes to financial ratios in these 5 years from 2019-2023 respectively. And below we performed an analysis of their financial position for the present and prospects, which is important to understand for making any decisions related to the business, ranging from its overall activity when it comes to production and sales to funding and profitability.

Column1	Column2	23-Jun	22-Jun	21-Jun	20-Jun	19-Jun
liquidity ratios	current ratio	2.61961	2.60204	3.042808721	4.205991027	3.79920906
	quick ratio	2.17558	2.11351	2.547474578	3.61608164	3.285457487

A) Liquidity Ratios: Current ratio and **quick ratio** of the company are above the ratio 2:1, which tells us the current ratio of the company is the same as the ideal. Through which we can conclude that the company has enough current assets to meet its short-term liabilities.

profitability ratios	gross profit ratio	0.7230039	0.7026588	0.7103487	0.7230039	0.7026588
	net proft	0.2517608	0.2246985	0.2271846	0.2517608	0.2246985
	ROA	0.2083837	0.2154142	0.1792813	0.2161022	0.1488356
	ROE	18.927711	15.263253	14.053012	21.376506	14.118072

B) Profitability Ratios: Gross profit ratio of the company indicates that it has managed to maintain its ratio above 70% in 2023, 2022, and 2020 and in the previous years, it was almost 70%. Telling us that the company has exceeded the ideal gross profit ratio range. Indicating that the company has performed well. Also, it can manage its cost of sales.

Net Profit Ratio of P&G indicates that the company is in a position of retaining its revenue and has a ratio in the range of 22% to 25% for 5 years.

The return on assets ratio of the company lies in the range of 17% to 20% for 5 consecutive years. But to infer the position of the company through ROA ratio, it must be compared with the ROA ratio of other companies in the same industry. The ratio will help the company understand how well it has utilized its assets to incur maximum profit(returns). By looking at the **return on equity ratio** of the company, we can see the company was capable of utilizing its assets invested through the means of equity by the shareholders. And accumulated profit to generate income.

Column1	Column2	23-Jun	22-Jun	21-Jun	20-Jun	19-Jun
efficiency ratios	inventory rat	2.55	2.77	8.52	10.11	8.11
	asset turnov	1.23	1.19	102.28	115.31	86.86

C) Efficiency Ratios: Inventory turnover ratio showcases the company's to trade its inventory and revive it regularly for every 1- 2 months.Since the company's ratio over the 5 years is between 5-10, which is the ideal inventory turnover ratio. Helping us conclude that it maintains a striking balance of on-hand inventory without facing any issues of running out of inventory.

Asset turnover ratio of the company tells us that consistently for over the period of 5 years it has been able to maintain an asset turnover ratio above 1, which is the ideal ratio any company can have. We can see that the company is consistently utilizing its assets to generate higher revenue.

Column1	Column2	23-Jun	22-Jun	21-Jun	20-Jun	19-Jun
solvency ratios	debt to equit	21.1024	16.7006	17.01506024	16.22891566	**15.05180723**
	asset to debt	3.14356	3.22375	3.491449814	4.364291017	**4.269110702**

D) Solvency Ratios: Debt to equity ratio of P&G tells us that across the 5 years, the company has been under a significant amount of debt. Since the ratio is higher than 1, which is considered as an ideal ratio for any company to have. It has possibly seen some financial risks.

Asset to debt ratio is calculated to analyze whether the company has already taken any debt or not. P&G has tried maintaining its ratio, which does not exceed the count of 3:1 in the 5-year analysis. Since there is no considerably ideal debt to asset ratio, and through the ratios we can infer that the company has taken some kind of debt to finance its assets.

3. Dabur India Ltd.

Dabur India has showcased consistent positive results over the past five years. It makes an appealing prospect for investors looking for growth in investments.

Liquidity Ratio:-

1. Current Ratio: When Dabur's current ratios are less than one, it may be difficult for it to meet its short-term obligations. A decrease from 2020 to 2023 raises concerns about liquidity management.
2. Quick Ratio: Comparing Dabur's quick ratio to its current ratio, their quick ratio offers a stricter measure of liquidity. Dabur's ability to fulfill any existing short-term obligations with most liquid assets is deteriorating, as seen by falling quick ratio.

		01-03-2023	01-03-2022	01-03-2021	01-03-2020	01-03-2019
LIQUIDITY RATIOS	Current Ratios	0.67	0.75	1.17	1.5	0.92
	Quick Ratios	0.35	0.37	0.77	1.11	0.56

Profitability Ratio:-

1. Gross Profit Ratio: Over the previous five years, Dabur India's gross profit ratio has varied between 48.32% and 52.61%.Dabur's consistently high gross profit ratio indicates that it controls pricing and production costs well, keeping a sizable portion of revenue in gross profit.
2. Net Profit Ratio: Over the 5 years, Dabur India's net profit ratio has varied between 20.15% and 22.96%. Dabur's constant profitability may be attributed to its effective expense management and generation of profits from its main business activities, as seen by its stable and relatively high net profit ratio.

		01-03-2023	01-03-2022	01-03-2021	01-03-2020	01-03-2019
PROFITABILITY RATIOS	Gross Profit Ratio	0.483229027	0.503129776	0.499371584	0.518575866	0.526129449
	Net Profit Ratio	0.201472591	0.22254417	0.225603039	0.213835456	0.229591642

Return on Investment Ratios:-

1. Return on Assets: Over the last five years, Dabur India's return on assets (ROA) has varied between 19.55% and 26.95%. Dabur's profitable use of its assets is demonstrated by its consistently high ROA, which is a sign of great operational performance and asset efficiency.
2. Return on Equity: Over the 5 years, Dabur India's ROE varied from 29.09% to 37.88%. Dabur's consistently high return on equity (ROE) shows that it manages shareholder money well and produces profits from shareholders' equity in an efficient manner, meaning that investors receive good returns.

		01-03-2023	01-03-2022	01-03-2021	01-03-2020	01-03-2019
RETURN ON INVESTMENTS RATIO	Return on Assets	0.195528653	0.220706471	0.224316912	0.230892558	0.269476481
	Return on Equity	0.290870829	0.32338882	0.31223174	0.307914119	0.378790169

Operating Efficiency Ratios:-

1. Inventory Turnover Ratio: Over the previous five years, Dabur India's inventory turnover ratio has varied between 3.48 and 4.43. An increased inventory turnover ratio is a sign of good inventory management techniques since it shows that Dabur effectively maintains its inventory levels and sells its items.
2. Asset Turnover Ratio: Dabur India's Asset Turnover Ratio has ranged from 0.92 to 1.11 over the five years. Higher asset turnover also demonstrates that Dabur has effective utilization of assets and operational efficiency.

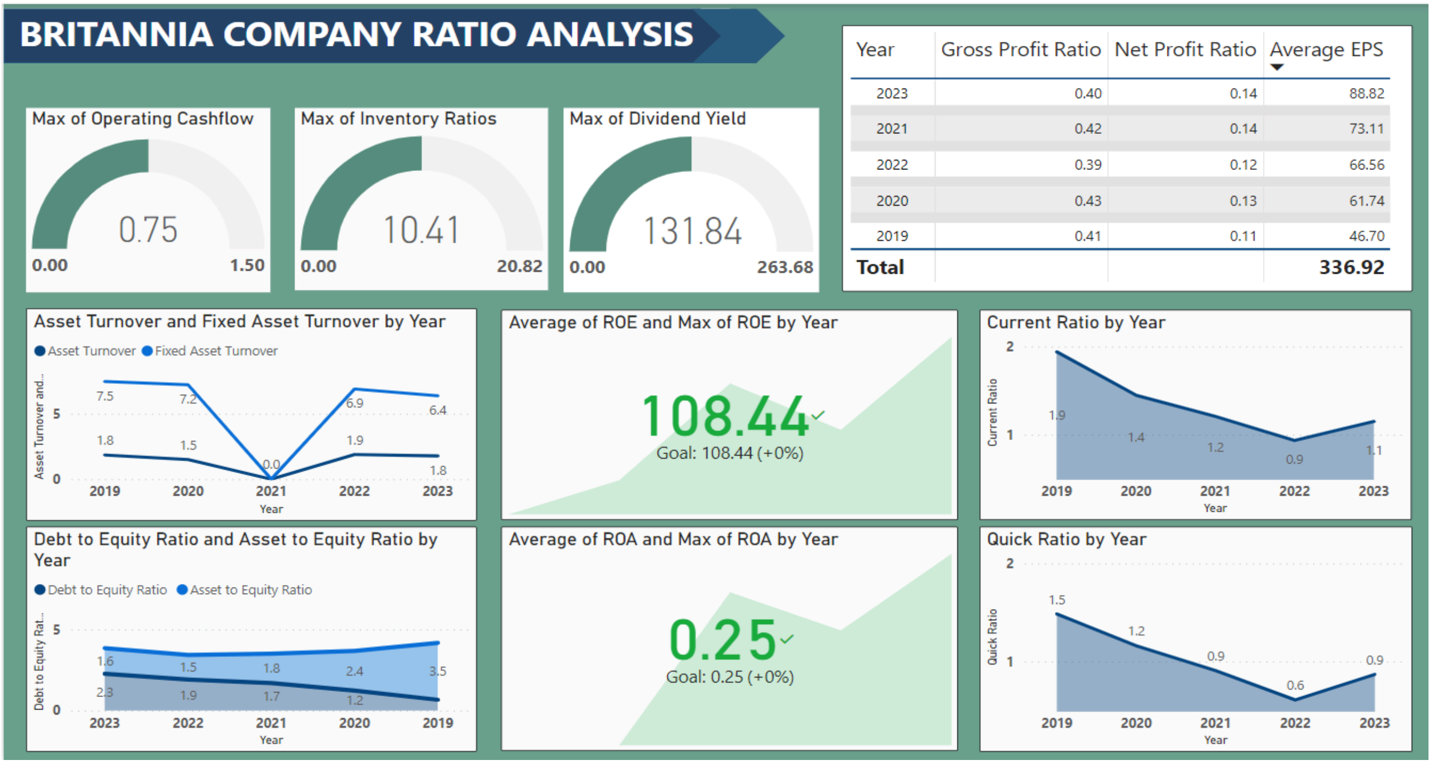
		01-03-2023	01-03-2022	01-03-2021	01-03-2020	01-03-2019
OPERATING EFFICIENCY RATIOS	Inventory Ratio	3.987669252	3.558838735	3.476637108	4.096435722	4.43091827
	Asset Turnover Ratio	0.919295927	0.943914106	0.951319002	1.023111059	1.109479133

Solvency Ratio:

1. Asset to Debt Ratio: Over the given period, Dabur India's Asset to Debt Ratio has varied between 3.05 and 4.00. A greater asset to debt ratio indicates a stronger solvency position and a less default risk for Dabur, demonstrating that the business has balanced amount of assets to cover up its
2. Debt to Equity Ratio: Over the five years, Dabur India's debt to equity ratio has varied between 8.63 and 17.30. A lower debt to equity ratio can be advantageous for a company's financial stability as it suggests that there is a higher dependency on investment capital and lower degree of financial risk.

		01-03-2023	01-03-2022	01-03-2021	01-03-2020	01-03-2019
SOLVENCY RATIOS	Asset to Debt Ratio	3.05080964	3.149410035	3.551525363	3.997765224	3.465166836
	Debt to Equity	17.30195282	15.43147237	11.95507525	8.6349386	9.114872898

4. Britannia Industries Limited



Ratio Analysis:-

BRITANNIA RATIO ANALYSIS	23-Mar	22-Mar	21-Mar	20-Mar	19-Mar
LIQUIDITY					
Current Ratio	1.149613	0.933391	1.206496	1.446981	1.940311
Quick/Liquid Ratio	0.870156	0.608245	0.908614	1.160971	1.485996
PROFITABILITY					
Average Earnings Per Share	88.82	66.56	73.105	61.74	46.695
Gross Profit Ratio	0.40	0.38	0.41	0.42	0.41
Net Profit	0.14	0.12	0.14	0.13	0.11
ROA	2.56	3.88	2.77	1.80	0.04
ROE	108.4404	89.04608	98.77293	78.55551	71.41531
SOLVENCY					
Debt Ratio	0.631746	0.656925	0.552383	0.410665	0.285429
Debt to Equity	2.265384	1.909676	1.70049	1.238541	0.671461
Total Asset to Debt	1.582915	1.522245	1.810337	2.435077	3.503502
Operating Cash Flow	0.635061	0.313313	0.534374	0.749271	0.703791
EFFICIENCY					
Asset turnover	1.769426	1.880499	0	1.491805	1.837882
Fixed Asset turnover	6.374298	6.885053	0	7.216359	7.460981
Inventory ratio	8.87524	6.830814	7.483446	10.41185	8.800581

Insights:

Britannia Industries Limited has sustained strong financial health and performance over the five years from 2019 to 2023, as illustrated by the following ratio analysis of the company.

1) **Liquidity Ratios:** Britannia Industries Limited Company's current and liquid ratios are greater than 1 percent, which implies that the company is capable of meeting its short-term liabilities because it has sufficient assets.
2) **Profitability Ratios:**
a) **Gross Profit Ratio -** From 2019 to 2023, Britannia's gross profit ratio fluctuated between 0.4 and 0.45. This range reflects their effectiveness in managing cost control and pricing strategies.
b) **Net Profit-** The company’s net profit ratio shows the effective overall profitability that is calculated from net profit by total revenue. It can be seen that the net profit ratio of Britannia reached its peak for the years 2021 and 2023 with its net profit ratio as 0.14.
c) **Return On Assets (ROA) -** Britannia’s ROA was the least for the year 2019 (0.04) and the highest for the year 2022 (3.88). This indicates that it has improved significantly over the years in utilizing their assets better to generate profits.
d) **Return On equity (ROE) -** Britannia’s ROE was highest for the year 2023 which indicates that they had a high return generated for their company’s shareholders based on their equity.

3) **Solvency Ratios:**
a) **Debt to Equity -** Britannia company’s debt to equity ratio lies within the 0.6 to 2.3 range. The company relies more on debt financing over the years 2020 to 2023. Their debt to equity ratio is more than 1, which also implies that there may have been some financial risks during these 5 years for the company.
b) **Total Asset to Debt Ratio -** Britannia’s ability to recover from debts using total assets has gradually decreased over the years with the highest asset to debt ratio of 3.5035 in 2019 to 1.5829 in 2023. They rely more on debt financing as compared to its asset base.
c) **Operating Cash Flow Ratio-** Britannia had their highest operating cash flow position for the year 2020 with their ratio as 0.749271.

4) **Efficiency Ratios:**
a) **Asset and Fixed Asset Turnovers -** Britannia did not generate any revenues through asset nor fixed asset utilization for the year 2021. The reason could be low sales or underutilization of the company’s assets.
b) **Inventory Ratios -** Britannia’s inventory ratio reached its peak for the year 2020 with its ratio as 10.41185. This indicates that the company had efficiently sold their inventories and had minimized their holding costs for that year.