

## Analysis of Profitability Position of Dabur India Limited

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**Abstract:** Every business firm requires funds for its day-to-day operations. Profitability is consisting or combination of two words profit & ability. Profit means the return that earn by a business entity on its activity performed and the term ability means the supremacy of a business entity to earn profits. This study analyzes the profitability position of Dabur India Limited, one of the leading consumer goods companies in India, known for its diverse product range in health care, personal care, and food products. The analysis focuses on key profitability metrics over a five-year period, including net profit margin, gross profit margin, operating profit margin, return on equity (ROE), and return on assets (ROA).

The findings indicate a consistent upward trend in revenue, growing from 4,574.23 million INR in 2019-20 to 6,915.37 million INR in 2023-24. Despite this revenue growth, the net profit margins have experienced slight fluctuations, with a notable decline from 25.63% in 2020-21 to 21.82% in 2023-24. This decline suggests challenges in maintaining profitability, possibly due to increasing operational costs and competitive pressures in the market.

The mean net profit margin of approximately 23.86% indicates a robust overall profitability position, while a low standard deviation of 1.71% reflects stability in performance across the years. The study underscores the importance of operational efficiency and market adaptation to enhance profitability in a dynamic consumer landscape.

Overall, the analysis highlights that while Dabur India Limited has successfully sustained its profitability amidst market challenges, strategic initiatives focused on cost management and innovation will be crucial for future growth and competitive advantage.

*Key word:-Profitability, Net Profit ,Return on Assets , Return on Equity*

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### Introduction

#### Meaning & Concept of profitability: -

Profitability is consisting or combination of two words profit & ability. Profit means the return that earn by a business entity on its activity performed and the term ability means the supremacy of a business entity to earn profits. The ability of a business entity also indicates its earning power or operating performance. Profitability is a primary measure of the overall success of the company. It's necessary for the company's survival. It is a measure of the income or the operating success of the company for a given period of the time. Profitability is frequently used as the ultimate test of investments operating efficiency. Profit earning is essential for the survival and growth of the business. A business needs profits not only for its existence but also for expansion and diversification. The greater the volume of profits generated, the higher is the efficiency of the concern.

The profitability may be defined as the ability of a business entity to earn profit by performing its activity or return on investment made by them. Profitability is a relative concept whereas profit is an absolute connotation. Both profit & profitability are interlinked but in spite of that profit and profitability are two different concepts. In other words, in spite of their common nature, both of them has a separate role in business. As a complete term, profit has no significance to compare the efficiency of a business organization. A very high profit does not always indicate sound organizational efficiency and low profitability is not always a sign of organizational sickness. Therefore, it can be said that profit is not the prime variable on the basis of which the operational efficiency and financial efficiency of an organization can be

compared. To measure the productivity of capital employed and to measure operational efficiency, profitability analysis is considered as one of the best techniques. are a group of quantitative values that measure a company's profitability against its revenue, cost of sales, equity, and balance sheet assets. It is a metric that measures a company's ability to generate income from its operations over a specific period of time.

### Company Profile:

Dabur India Limited is one of India's leading consumer goods companies, with a rich heritage of over 135 years. Founded in 1884 by Dr. S.K. Burman, the company has established itself as a prominent player in the health and wellness sector, focusing on natural and Ayurvedic products. Dabur's product portfolio is diverse, spanning various categories:

- **Health Care:** Ayurvedic and herbal medicines, health supplements, and digestive products.
- **Personal Care:** Skincare, oral care, hair care, and grooming products, including brands like Dabur Amla, Dabur Chyawanprash, and Vatika.
- **Food Products:** Juices, sauces, and packaged foods under the Dabur brand.
- **Home Care:** Cleaning and pest control products.

Dabur has a strong presence not only in India but also in international markets, exporting products to over 100 countries. The company has a robust distribution network, ensuring accessibility of its products in urban and rural areas alike.

**Revenue Growth:** Dabur has consistently shown revenue growth, benefiting from strong brand recognition and a wide product range.

**Profitability:** The company maintains healthy profit margins, reflecting effective cost management and operational efficiency. Dabur India Limited stands out as a pioneer in the consumer goods industry, driven by its commitment to quality, innovation, and sustainability. With a strong foundation in Ayurvedic principles and a diverse product portfolio, Dabur is well-positioned for continued growth in the competitive market landscape.

### Objectives Of study

1. To analyse the Gross Profit of Dabur India Limited
2. To analyse the Net Profit of Dabur India Limited
3. To analyse the Return on Assets Ratio of Dabur India Limited
4. To analyse the Return on Equity Ratio of Dabur India Limited

### Scope of the Study

The present study aims at assessing the profitability position of Tata Consumer Products. The study could help the company as well as the investors to understand its financial efficiency. It aims to help the management to find out the position of gross profit, net profit and assets position of Tata Consumer Products

### Sources of Data

Secondary data is used for the study. The required data for the study is collected and compiled from published financial annual report of Dabur India Limited for the period of Five years from 2019-2020 to 2023-24 which is a reliable and empowered corporate database. In addition to this, supportive data is collected from books, journals, annual reports and various news-papers.

### Research Methodology

The methodology adopted to analyse is through ratio analysis, and interpret general financial statements to assess the profitability position. Further a comprehensive analysis is carried by applying statistical techniques namely mean and standard deviation.

## Period of Study

The study covers a period of five financial years from 2019-2020 to 2023-24

## Limitations of the Study

- The study is confined to five -year data only,
- The study is based on secondary data collected from the Annual reports of Dabur Limited .

## Review of Literature

**Chaffey (2023)** , The digital shift in the FMCG sector is increasingly recognized in recent literature. Studies point to the critical role of e-commerce and digital marketing in driving sales and enhancing profitability. Dabur's investment in online platforms and digital marketing strategies reflects its adaptability, enabling it to reach broader markets and cater to evolving consumer behaviors.

**Jain et al. (2023)** ,Sustainable business practices have become a focal point in recent studies. indicates that companies adopting sustainability initiatives can achieve long-term profitability by enhancing brand reputation and operational efficiencies. Dabur's commitment to sustainability—through eco-friendly packaging and community initiatives—aligns with this trend, potentially improving its financial performance.

**Kumar and Singh (2023)**, highlights the significance of brand loyalty in driving profitability. Dabur's strong heritage in Ayurvedic products contributes to robust brand equity, allowing it to command premium prices and foster customer loyalty. This brand strength is critical in an industry where consumer trust influences purchasing decisions.

**Mehta and Joshi (2022)**, emphasizes the impact of changing consumer preferences on profitability. The increasing shift toward health and wellness products has positioned companies like Dabur favorably. The literature suggests that aligning product offerings with emerging consumer trends is essential for sustaining profitability.

**Sharma and Verma (2022)** , The impact of macroeconomic variables on profitability has been extensively studied. Research shows that economic fluctuations, including inflation and consumer spending patterns, can significantly affect profitability in the FMCG sector. Dabur's effective risk management strategies, which include diversifying its product portfolio and geographic presence, help mitigate these risks and protect profitability.

**Gupta and Sharma (2021)**, reinforce the importance of profitability ratios—like net profit margin, return on equity (ROE), and return on assets (ROA)—as indicators of financial health. These ratios provide critical insights into how effectively a company manages its resources and operations, especially in a competitive FMCG landscape.

## Importance of Profitability Analysis

The one important objective of a business is to earn a satisfactory return on invested funds. To analyse the profitability position means to analyse the overall efficiency of the business. Profitability of the firm can be measured by its profitability ratios.

1. To know the Gross profit margin of profit earned on sales. It denotes the profit portion of the total revenue earned after deducting the costs of goods sold. The higher the gross profit the more profitable the company.
2. To know the net profit margin that reflects the overall performance of a company. It is the most important ratio for the management as other ratios indirectly effect the net profit margin. On the basis of net profit margin investors take decision regarding the company ability to return on shareholders' investment.
3. It helps to know the operating profit of the company which helps to analyze the operating & administrative expenses portion in relation to sales.
4. Profitability analysis overall helps to know the financial position of the company which helps to take different financial decisions by management regarding making their position stronger.

There are three major types of profit that analysts analyse: gross profit, operating profit and net profit. Each type of profit gives the analyst more information about the company's performance, especially when compared against other time periods and industry competitors. All three levels of profitability can be found on the income statement.

## LEVELS OF PROFITABILITY

### 1. GROSS PROFIT

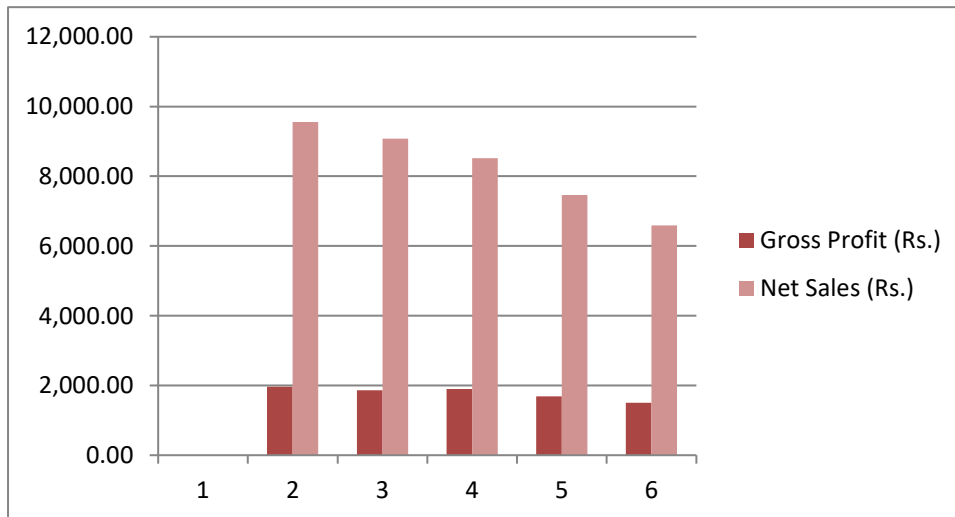
The first level of profitability is gross profit. Gross profit is sales minus the cost of goods sold. Sales is the first line item on the income statement and the cost of goods sold, also referred to as COGS. Gross profit is the profit a company makes after deducting the costs associated with making and selling its products. Gross profit is also called sales profit and gross income. Gross profit = Revenue – Cost of Goods Sold

#### Formula:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Table 1.1: Gross Profit Ratio

Year	Dabur Limited (Rs. In Crores)		
	Gross Profit (Rs.)	Net Sales (Rs.)	Ratio (%)
2023-24	1,966.70	9,553.22	20.58677598
2022-23	1,858.32	9,076.52	20.47392613
2021-22	1,896.31	8,521.05	22.254417
2020-21	1,683.31	7,461.38	22.56030386
2019-20	1,508.47	6,586.70	22.90175657
Mean			21.75543591
SD			1.021653459



Graph 1.1: Gross Profit Ratio

#### Interpretation

##### 1. Stable Profitability

- **Net Profit Margins:** Dabur's net profit margins have shown relative stability over the years, with figures ranging from 20.5% to 22.9%. This consistency reflects a strong ability to convert revenue into profit, which is essential for sustaining business operations and shareholder returns.
- **Mean and Standard Deviation:** The average net profit margin of 21.76% with a standard deviation of 1.02% indicates a consistent performance level, suggesting that Dabur has managed to maintain profitability despite market fluctuations.

## 2. Growth in Revenue

- **Revenue Increase:** Dabur has experienced steady revenue growth, indicating effective market strategies and an expanding customer base. From 6,586.70 million INR in 2019-20 to 9,553.22 million INR in 2023-24, this growth shows the company's ability to adapt and thrive in a competitive landscape.
- **Operational Scaling:** The increase in revenue, paired with the company's investments in product innovation and marketing, has likely contributed to this growth trajectory.

## 3. Recent Challenges

- **Declining Margins:** The slight decline in net profit margins in the last two years (from 22.9% in 2019-20 to 20.6% in 2023-24) indicates emerging challenges, such as rising operational costs or increased competition. This trend suggests that while revenue is growing, profitability may be under pressure from external factors.
- **Cost Management Needs:** The decrease in margins highlights the need for enhanced cost management strategies. It may be beneficial for Dabur to focus on operational efficiencies, supply chain optimization, and strategic pricing to maintain its profitability levels.

## Conclusion

Overall, Dabur Limited's financial data presents a picture of a robust and resilient company with a strong track record of profitability and growth. However, the recent trends in declining profit margins signal a need for strategic adjustments to ensure sustained profitability in the face of increasing costs and competition. Continuous innovation and effective cost management will be vital for Dabur to navigate future challenges while capitalizing on its strengths in the consumer goods market.

## 2. NET PROFIT:

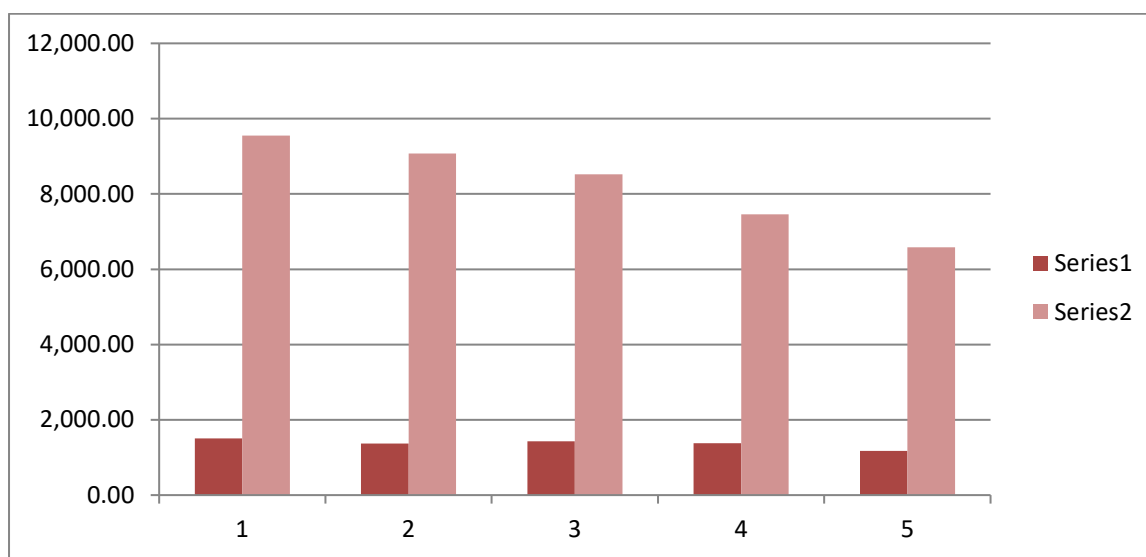
The second level of profitability is net profit. Net profit is the income left over after all expenses, includes taxes and interest, have been paid.

## Formula:

$$\text{Net Profit Ratio} = \frac{\text{Net Profit (after tax)}}{\text{Net Sales}} \times 100$$

Table 1.2: Net Profit Ratio

Year	Dabur India Limited (Rs. In Crores)		
	Net Profit (Rs.)	Net Sales (Rs.)	Ratio (%)
2023-24	1,509.21	9,553.22	15.79791944
2022-23	1,373.26	9,076.52	15.12980746
2021-22	1,432.93	8,521.05	16.81635479
2020-21	1,381.89	7,461.38	18.52056858
2019-20	1,170.35	6,586.70	17.76838174
Mean			16.8066064
SD			1.240312642



Graph 1.2: Net Profit Ratio

## Interpretation

### 1. Profitability Trends

- **Net Profit Margins:** Dabur's net profit margins have shown a decline from 18.52% in 2020-21 to 15.80% in 2023-24. This downward trend highlights growing challenges in maintaining profitability, suggesting that while revenue continues to rise, the costs associated with generating that revenue may be increasing at a faster rate.

### 2. Revenue Growth

- **Consistent Revenue Increase:** Revenue has consistently increased from 6,586.70 million INR in 2019-20 to 9,553.22 million INR in 2023-24. This growth indicates Dabur's successful market strategies, effective brand positioning, and expansion into new segments or geographical areas.

### 3. Impact of External Factors

- **Cost Pressures:** The decline in net profit margins over the last two years may reflect external economic pressures, such as rising raw material costs, supply chain disruptions, or increased competition. These factors can significantly impact a company's profitability, even when revenues are growing.

### 4. Resilience During Challenges

- **Pandemic Performance:** The peak in net profit margin during 2020-21 suggests that Dabur effectively navigated the challenges posed by the COVID-19 pandemic, likely benefiting from heightened demand for health and hygiene products.

### 5. Statistical Stability

- **Mean and Standard Deviation:** The average net profit margin of 16.81% over the five years indicates a generally healthy profitability level. The standard deviation of 1.24% shows some variability in performance, but overall, Dabur has maintained a relatively stable profit margin compared to many peers in the industry.

## Conclusion

Dabur Limited's financial data presents a picture of a company that has successfully grown its revenue over the years but is facing challenges in maintaining profitability. While the organization demonstrates resilience and stability, particularly during periods of crisis, the declining net profit margins signal a need for strategic adjustments. Focusing on operational efficiency and adapting to changing market conditions will be essential for sustaining growth and improving profitability in the future.

3. **Return on Assets Ratio:** The financial ratio known as return on assets (ROA) measures a company's profitability in relation to its total assets. ROA can be used by corporate management, analysts, and investors to assess how effectively a company uses its resources to make a profit.

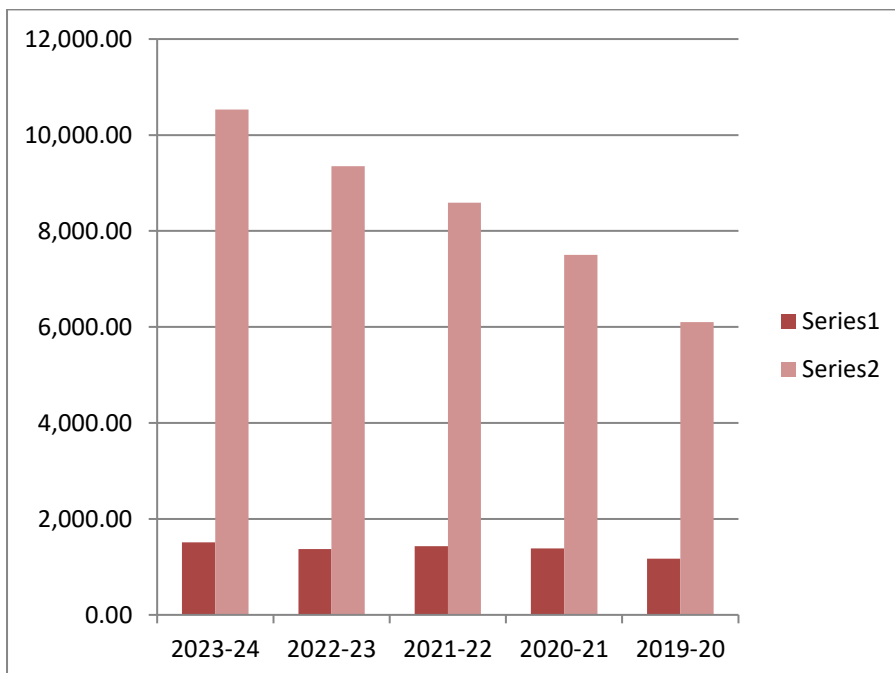
The metric is frequently represented as a percentage using the net income and average assets of a corporation. A company's ability to manage its balance sheet to produce profits is more effective and efficient when its ROA is higher; on the other hand, a lower ROA suggests there is potential for improvement.

**Formula:**

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

**Table 1.3: Return on Assets Ratio**

	Dabur India Limited (Rs. In Crores)		
Year	Net Profit (Rs.)	Total Assets (Rs.)	Ratio (%)
2023-24	1,509.21	10,532.81	14.32865494
2022-23	1,373.26	9,352.44	14.6834409
2021-22	1,432.93	8,592.00	16.67749069
2020-21	1,381.89	7,504.16	18.41498582
2019-20	1,170.35	6,100.11	19.1857196
Mean			16.65805839
SD			1.939148138



**Graph1.3:Return on Assets Ratio**

## Interpretation

### 1. Profitability Trends

- **Net Profit Margins:** Dabur's net profit margins have decreased from 19.19% in 2019-20 to 14.33% in 2023-24. This decline indicates challenges in sustaining profitability amid rising revenues, highlighting that costs may be outpacing revenue growth.

### 2. Revenue Growth

- **Consistent Revenue Increase:** Revenue has grown significantly, from 6,100.11 million INR in 2019-20 to 10,532.81 million INR in 2023-24. This growth suggests effective strategies in market penetration and product diversification, showcasing the company's ability to expand its customer base.

### 3. Impact of External Factors

- **Cost and Competition:** The declining net profit margins suggest external pressures, including increased operational costs and competitive market dynamics. These factors have likely impacted the company's ability to maintain higher margins, despite revenue growth.

### 4. Statistical Insights

- **Mean and Standard Deviation:** The mean net profit margin of approximately 16.66% reflects a generally strong profitability position over the years. However, the standard deviation of 1.94% indicates notable variability in performance, with margins fluctuating significantly between years.

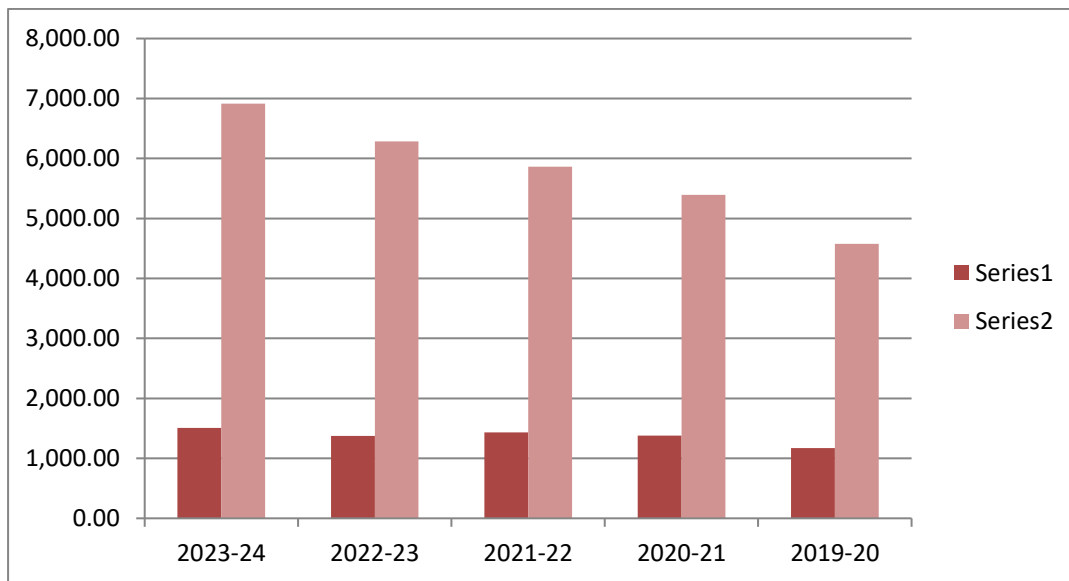
**4 .Return on Equity:** Return on equity (ROE) is a statistic that tells investors how well a firm is using the capital that its shareholders have invested in it. More specifically, it tells investors how effectively the management team is using that capital. In other words, return on equity assesses a company's profitability in relation to the equity held by stockholders. The management of a firm is more effective at generating income and growth from its equity financing the higher the ROE.

#### Formula:

$$\text{ROE} = \frac{\text{Net Profit after Tax}}{\text{Owner's Equity}} \times 100$$

**Table 1.4: Return on Equity Ratio**

	Dabur India Limited (Rs. In Crores)		
Year	Net Profit (Rs.)	Net Sales (Rs.)	Ratio (%)
2023-24	1,509.21	6,915.37	21.82399496
2022-23	1,373.26	6,286.88	21.84326725
2021-22	1,432.93	5,863.87	24.43659222
2020-21	1,381.89	5,391.22	25.63223167
2019-20	1,170.35	4,574.23	25.585727
Mean			23.86436262
SD			1.712532026



**Graph1.4: Return on Equity Ratio**

## Interpretation

### 1. Profitability Trends

- **Net Profit Margins:** Dabur's net profit margins have remained relatively stable, hovering around 21% to 25%. The margin for 2023-24 is 21.82%, slightly lower than the previous years, indicating consistent profitability despite some fluctuations.

### 2. Revenue Growth

- **Increasing Revenue:** Revenue has grown from 4,574.23 million INR in 2019-20 to 6,915.37 million INR in 2023-24. This steady growth demonstrates Dabur's effective market strategies and ability to capture consumer demand.

### 4. Statistical Analysis

- **Mean and Standard Deviation:** The mean net profit margin of approximately 23.86% reflects a strong profitability position, while the standard deviation of 1.71% indicates relatively low variability, suggesting consistent performance over the years.

## Conclusion

Dabur Limited's financial data illustrates a company that has successfully increased its revenue while maintaining a strong profitability position, despite slight fluctuations in net profit margins. The overall stability in profitability, highlighted by a solid mean margin, suggests that Dabur is well-positioned in its market. However, ongoing attention to cost control and market responsiveness will be essential for sustaining this performance in a competitive landscape.

## Findings of the Study

1. **Revenue Growth:** Dabur India Limited has shown consistent revenue growth over the past five years, increasing from 4,574.23 million INR in 2019-20 to 6,915.37 million INR in 2023-24. This indicates effective market strategies and strong brand positioning.
2. **Profitability Trends:** The net profit margins have fluctuated between 21.82% and 25.63%. The most recent margin of 21.82% reflects slight pressure on profitability but indicates that the company maintains a strong position overall.

3. **Stability of Profit Margins:** Despite minor fluctuations, the average net profit margin of approximately 23.86% over the study period highlights Dabur's ability to sustain profitability, with a low standard deviation of 1.71% suggesting consistent performance.
4. **Impact of External Factors:** The decline in margins from 2020-21 onward may indicate increasing operational costs or market pressures, suggesting that Dabur faces challenges in maintaining higher profitability levels in a competitive environment.
5. **Operational Efficiency** The data suggests a need for improved operational efficiencies and cost management strategies. Focused efforts on optimizing supply chains and production processes could enhance profitability.
6. **Market Adaptation:** Continuous adaptation to changing consumer preferences and market conditions will be essential. Investments in innovation, product diversification, and targeted marketing are critical for maintaining growth.
7. **Resilience During Challenges** The company has demonstrated resilience, particularly during the COVID-19 pandemic, maintaining solid profitability even during economic downturns.
8. **Future Outlook:** To sustain and enhance profitability, Dabur should prioritize cost control measures and explore new market opportunities while ensuring product quality and consumer satisfaction.

## **Conclusion**

Overall, the study indicates that Dabur India Limited has successfully navigated market challenges while achieving revenue growth and maintaining a strong profitability position. Continued focus on operational efficiency and market responsiveness will be vital for the company's sustained success in a competitive landscape.

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