

An Analytical Study on Liquidity and Profitability of Selected Personal Care Companies in India

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ABSTRACT

This segment of FMCG is sharing 50 percent of the overall FMCG sector. The Indian personal care segment includes skin care e.g., sunscreens, face creams, body lotions, foot cream, and hand cream, body care includes deodorants, shaving creams, eyecare includes spectacle lenses and contact lenses, oral care includes toothpaste, manual toothbrushes, mouthwashes and floss, the other personal care includes color cosmetics, hair colors, shampoos, conditioners, hair masks, and styling products. In 2023, the Beauty & Personal Care sector is projected to bring in US\$27.23 billion in revenue. The market is predicted to expand by 3.38% yearly (CAGR 2023-2027) (Beauty and personal care - India, 2022). The penetration of consumers is increasing in this segment because of lower prices in small quantities. For analyzing the liquidity and profitability position on selected personal care companies, the statistical tools such as MEAN, Standard Deviation, Co Efficient of Variation Skewness, Kurtosis, CAGR, and ANOVA has been used. It is suggested that the personal care companies should improve its liquidity and profitability position so as to attract the investors and customers.

INTRODUCTION

India, a country with a population of over one billion, is just behind China in terms of purchasing capacity and increasing consumer spending as one of the biggest economies in the world. The fourth-biggest business sector in India consists of the FMCG industry, and will probably become the fifth-largest FMCG market by 2025 (Industry, Fast Moving Consumer Goods, May 2021). The sector's distinguishing features are a strong global corporate presence, intense competition between organized and unorganized firms, a well-established distribution network, and cheap operating costs. India offers a competitive advantage thanks to the availability of vital raw materials, lower labor costs, and penetration across every stage of the value chain. Fast-moving consumer goods (FMCG), the fourth-largest sector of the Indian economy, significantly contributes to the nation's GDP. The most commonly purchased things, including some technology items, include toilet soaps, detergents, shampoos, toothpaste, shaving cream, shoe polish, packaged goods, and domestic goods. The FMCG market in India increased at a 16% rate in FY21, which was the fastest rate in the preceding nine years. The states like Chandigarh, Maharashtra, Tamil Nadu, Gujarat, and Punjab are the leading cities for FMCG industry (Industry, 2023). The branded FMCG market in India is expected to rise by 3.6 times by 2025. i.e., 220-240 Bn. A significant shift in demographics, such as a seventy percent rise in household incomes, 100 million youngsters getting involved in the workforce, growing nuclearization, and 35% of Indians living in urban areas, would be the main shifting drivers of expansion.

REVIEW OF LITERATURE

S.No.	Author (Year)	Title	Methodology adopted	Findings
1.	M. Dhanabhakvam (2023).	financial performance of select FMCG (Fast-Moving Consumer Goods) companies using Z score model.	Sample size:22 Study Period: The pre-merger and post-merger averages for a set of key financial ratios were computed for 3 years prior to, and 3 years after, the year of merger completion (or the year of approval when the time of merger completion is not available). The merger completion year was denoted as year 0 Sources of Data Secondary Statistical Tools: Z score analysis	The findings of the study provide insights into the financial performance and risk profile of the selected FMCG companies, enabling stakeholders to make informed decisions about their investment or business strategies.
2	Kumar, Rahul & Sharma, Amit. (2022)	Impact of dividend policy on the share price; with special reference to selected FMCG companies of India	Sample Size: 5 Study Period: 2014 – 15 to 2018 - 19 Sources of Data Secondary Statistical Tools: Multiple Regression Analysis.	The findings provide insights into the influence of dividend policy on the share price of FMCG companies, contributing to a better understanding of the dynamics between dividend decisions and stock market performance in the FMCG sector.

3	<p><u>Nagarajachari, Abhilasha & Tyagi, Madhu. (2022)</u></p>	<p>The impact of Corporate Social Responsibility (CSR) on the financial performance of Top 10 performing CSR companies in India, specifically focusing on the FMCG and pharmaceutical sectors.</p>	<p>Sample Size: 10 Study Period: 2014-2017 Sources of Data: Secondary Statistical Tools:</p>	<p>The findings provide insights into the link between CSR and financial performance, emphasizing the importance of responsible business practices for sustainable financial outcomes in the FMCG and pharmaceutical industries.</p>
4	<p><u>Kherala, Hetal & Machhar, Suresh. (2022).</u></p>	<p>A repercussion on the pandemic of selected FMCG companies in India.</p>	<p>Sample Size: 5 Companies Study Period: 2016-17 to 2020-21. Sources of Data: Secondary Statistical Tools: Mean, SD and ANOVA.</p>	<p>Profitability, Liquidity and Leverage Ratios were not satisfactory.</p>
5	<p><u>Anusree S & Lorene K. (2022)</u></p>	<p>A Study on financial performance of 5 selected FMCG companies in INDIA.</p>	<p>Sample Size: 5 Companies Study Period: 2016-17 To 20-21 Sources of Data: Secondary Statistical Tools: Average, variance and Standard Deviation.</p>	<p>Dabur India limited is the ideal choice to the investor for buying shares.</p>

SCOPE OF THE STUDY

The study finds out the short term and long term solvency and profitability position of selected public sector Personal Care companies in India. The researcher has selected ten companies in India.

OBJECTIVES OF THE STUDY

1. To figure out the liquidity position of selected public sector Personal Care companies in India.
2. To examine the profitability position and overall financial health of selected public sector 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 public sector public sector 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 them top 10 companies which are listed in BSE terms of were selected on the basis of market capitalization. For sample selection the researcher has used judgmental sampling technique.

Sample size:

The researcher selected 10 companies such as Hindustan Unilever limited, Dabur India limited, Marico ltd., and Godrej consumers ltd., Procter and gamble, Colgate Palmolive ltd., Immami ltd. Gillette India ltd., Jyothy ltd., and Bajaj Consumers ltd. on the basis of market capitalization.

PERIOD OF THE STUDY:

The study period covers 10 years from 2012-2013 to 2021-2022

TOOLS FOR ANALYSIS:

MEAN, Standard Deviation, Co Efficient of Variation Skewness, Kurtosis, CAGR, and ANOVA,

HYPOTHESIS:

There is no significant difference among liquidity ratios of selected public sector Personal Care companies in India

There is no significant difference among profitability ratios of selected public sector PERSONAL CARE COMPANIES IN INDIA.

DATA ANALYSIS AND INTERPRETATIONS**CURRENT RATIO**

The current ratio is defined as the relationship between current assets and current liabilities. Also referred to as the working capital ratio, it serves as a measure of overall liquidity and is one of the most commonly used tools for analyzing the short-term financial position or liquidity of a firm. It is computed by dividing total current assets by total current liabilities.

TABLE 1 COMPANYWISE AVERAGE CURRENT RATIO

NAME OF THE COMPANY	MEAN	SD	CV(%)	CAGR(%)	KURTOSIS	SKEWNESS
HUL	1.23	0.31	25.08	3.07	-1.077	-0.713
DL	1.49	0.31	20.68	-2.71	4.248	1.773
ML	2.11	0.52	24.59	3.72	1.704	-1.106

GCL	1.27	0.48	37.85	8.68	5.699	2.175
P&GL	1.78	0.18	10.11	5.15	-1.127	-0.013
GPL	0.98	1.02	103.97	3.1	1.011	1.092
IL	1.65	0.31	18.76	-5.68	0.08	0.824
GIL	1.64	0.45	27.37	-3.82	0.005	-0.275
JL	1.14	1.1	95.82	6.81	-1.124	0.396
BCL	4.99	4.68	93.65	0.84	-0.779	-0.302

Source: Computed from Annual Report of the Respective Company.

The above table shows that the Current ratio of selected companies. The mean values were ranging from .98 to 4.99. The selected companies satisfied the standard norm of 2:1 except GP. The SD values were ranging from 0.18 to 1.1. The CV were ranging from 10.11% to 103.97%. The GPL registered the highest variation of 103.97%. The companies such as DL JL and BCL showed the negative CAGR and all other companies had positive CAGR.

CURRENT RATIO (ANOVA Test)

Source of Variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	213.48	9	23.72	56.21	1.98
Within Groups	39.97	90	.422		
Total	251.47	99			

TABLE 2

Source: Author’s calculation

The above table indicates that the calculated value of F is > F Critical value (at 5% level of significance) . The null hypothesis is rejected. Hence it is concluded that the current ratio of selected Personal care companies differs significantly.

QUICK (OR) LIQUID RATIO

The Quick Ratio, also referred to as the acid-test ratio or liquid ratio, provides a more stringent measure of liquidity compared to the current ratio. It is defined as the relationship between liquid assets and current liabilities.

**TABLE 3
COMPANYWISE AVERAGE QUICK RATIO**

NAME OF THE COMPANY	MEAN	SD	CV(%)	CAGR(%)	KURTOSIS	SKEWNESS
HUL	0.91	0.15	16.48	4.03	-0.89	-0.913
DL	1	0.29	29	-5.62	3.89	1.53
ML	1.08	0.24	22.22	4.91	-0.86	-0.27
GCL	0.83	0.36	43.37	10.95	5.85	2.255
P&GL	1.51	0.48	31.78	-5.51	-0.71	-0.013
GPL	0.7	0.17	24.28	2.92	-0.09	0.691

IL	1.26	0.96	76.19	-8.53	0.43	1.066
GIL	1.07	0.27	25.23	-4.78	-0.83	-0.454
JL	0.66	0.26	39.39	7.73	-0.67	-0.015
BCL	4.51	1.04	23.05	3.19	-0.506	-0.257

Source: Computed from Annual Report of the Respective Company.

The above table shows the Quick Ratio of the selected companies, with mean values ranging from 0.66 to 4.51. The highest mean value was recorded in BCL. The Quick Ratio displayed a fluctuating trend throughout the study period. The SD values were ranging from .15 to 1.04. The CV were ranging from 16.48% to 76.19 The IL registered the highest variation of 76.19%. The companies such as DL, P&GL, IL and GII; showed the negative CAGR and other companies had the positive CAGR.

QUICK RATIO (ANOVA Test)

Null Hypothesis (Ho):

There is no significant difference in quick ratio of selected Personal Care companies in India under study.

Alternative Hypothesis (H1):

There is significant difference in quick ratio of selected Personal Care companies in India under study.

**TABLE 4
QUICK RATIO (ANOVA Test)**

Source of Variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	85.654	9	14.276	6.670	1.98
Within Groups	134.840	90	2.140		
Total	220.494	99			

Source: Author’s calculation

The above table indicates that the calculated value of F is > F Critical value (at 5% level of significance). The null hypothesis is rejected. Hence it is concluded that the quick ratio of selected Personal Care companies differ significantly.

ANALYSIS OF PROFITABILITY POSITION OF SELECTED COMPANIES

The profit margin is a measure of overall profitability. Profit margin varies with the disproportionate variations in sales revenue in comparison to cost or the vice-versa. The profit margin can be increased either by making up prices or by reduction in costs or by both.

TABLE 5 COMPANYWISE AVERAGE OPERTING PROFIT RATIO

NAME OF THE COMPANY	MEAN	SD	CV(%)	CAGR(%)	KURTOSIS	SKEWNESS
HUL	33.93	10.62	31.29	9.58	-1.46	.28
DL	7.53	2.03	26.95	9.40	-74	-.07
ML	9.77	1.51	15.45	2.96	-1.52	-.14
GCL	23.24	7.61	32.74	-4.88	-2.00	.08

P&GL	186.64	51.38	27.52	10.84	.66	-.26
GPL	43.60	9.00	20.64	.65	-1.32	-.06
IL	17.31	5.94	34.31	-4.66	-.77	-.21
GIL	90.36	37.99	42.04	11.80	-.89	-.73
JL	8.63	2.92	33.83	-2.9	-.80	.569
BCL	17.51	2.39	13.64	.13	-1.69	-.286

Source: Computed from Annual Report of the Respective Company.

The above table reveals that operating profit ratio of selected companies. The mean values were ranging from 7.53 to 186.64 The highest mean value registered in P&GL The SD is ranged from 1.51 to 51.38.. The CV ranged from 13.64% to 42.04. %.. The companies such as GC and IL showed the negative CAGR and all other companies showed the positive CAGR.

OPERATING PROFIT RATIO (ANOVA Test)

Null Hypothesis (Ho):

There is no significant difference in operating profit ratio of selected Personal Care companies in India under study.

Alternative Hypothesis (H1)

There is significant difference in operating profit ratio of selected Personal Care companies in India under study.

**TABLE 6
OPERATING PROFIT RATIO (ANOVA Test)**

Source of Variation	Sum of Squares	df	Mean Square	F	F critical value
Between Groups	6309.270	9	1051.545	53.423	1.98
Within Groups	1240.047	90	19.683		
Total	7549.317	99			

Source: Author’s calculation

The table indicates that the computed **F-value** exceeds the **critical F-value** at the **5% level of significance**. Hence, the **null hypothesis** stands rejected. It is thus concluded that the operating profit ratio of the selected Personal Care companies differs significantly.

NET PROFIT MARGIN RATIO

The net profit margin ratio reflects the relationship between net profit and sales, as well as management’s efficiency in producing, managing, and marketing the products. This ratio is calculated by dividing profit after tax by sales.

TABLE 7 COMPANYWISE AVERAGE NET PROFIT ARTIO

NAME OF THE COMPANY	MEAN	SD	CV(%)	CAGR(%)	KURTOSIS	SKEWNESS
HUL	15.271	1.5619	10.22	0.85	-1.596	0.376

DL	17.121	2.50989	14.65	2.57	-1.566	-0.499
ML	15.439	2.34386	15.18	2.1	-0.971	-0.231
GCL	17.271	4.38182	25.37	4.84	-1.021	0.463
P&GL	15.413	2.00101	12.98	2.05	-0.102	0.317
GPL	16.716	2.74814	16.44	3.02	-0.469	0.878
IL	18.078	5.90787	32.67	4.08	-0.22	0.812
GIL	11.207	4.11778	36.74	7.78	0.23	-1.119
JL	9.246	2.21441	23.94	5.24	2.133	-1.165
BCL	22.169	8.85553	39.94	5.39	5.126	-1.747

Source: Computed from Annual Report of the Respective Company.

The above table presents the net profit ratio of the selected companies. The mean values ranged from 11.98 to 28.00, with the highest mean value recorded in OFSSL. The standard deviation values ranged between 0.81 and 7.59, with the highest observed in OFSSL. The coefficient of variation (CV) varied from 5.36% to 23.47%, with OFSSL registering the highest variation of 23.47%. Companies such as TCSL, IL, L&TIL, and MTL reported negative CAGR, while the remaining companies recorded positive CAGR.

value of 14.03 and the maximum value of 18.15.

NET PROFIT RATIO (ANOVA Test)

Null Hypothesis (H₀):

There is no significant difference in the net profit ratio of the selected Personal Care companies in India under study.

Alternative Hypothesis (H₁):

There is a significant difference in the net profit ratio of the selected Personal Care companies in India under study.

TABLE 8
NET PROFIT RATIO (ANOVA Test)

Source of Variation	Sum of Squares	df	Mean Square	F	F critical value
Between Groups	3473.783	9	578.964	44.252	1.98
Within Groups	824.243	90	13.083		
Total	4298.026	99			

Source: Author's calculation

As presented in the table, the calculated F-value is higher than the critical F-value at the 5% level, and thus the null hypothesis is rejected. Hence, it is concluded that the net profit ratio of the selected Personal Care companies differs significantly.

FINDINGS

The current ratio of selected Personal care companies differs significantly. The companies such as DL JL and BCL showed the negative CAGR and all other companies had positive CAGR.

The quick ratio of selected Personal Care companies differ significantly. The companies such as DL, P&GL, IL and GII; showed the negative CAGR and other companies had the positive CAGR.

The operating profit ratio of the selected Personal Care companies differs significantly. The companies such as GC and IL showed the negative CAGR and all other companies showed the positive CAGR.

The net profit ratio of the selected Personal Care companies differs significantly. The Companies such as TCSL, IL, L&TIL, and MTL reported negative CAGR, while the remaining companies recorded positive CAGR.

SUGGESTIONS

The personal care companies can improve its current ratio by shifting short-term debt of a company into a long-term loan, should reduce its current debt, should control its direct and indirect expenditures can strengthen the ratio.

The personal care companies may boost its liquid ratio by boosting sales (via effective marketing), implementing the best use of its assets and selling off those that are no longer useful or necessary, leasing assets whenever possible rather than purchasing them, adopting quick collection methods, and managing its available inventory efficiently

The personal care companies should earn high revenue by increasing sales and by reducing costs, should pay off its loans, should opt for ideal inventory management and by restricting its debt, company can strengthen its ratio.

The personal care companies should have higher revenue minimal borrowings, should control finance cost and should have minimal trade payable can strengthen its ratio.

CONCLUSION

The results of all these financial analysis indicators may be utilized to help management, probable investors, shareholders, creditors, suppliers and outside parties make financial and investment decisions that will maximize the wealth and advantages of each stakeholder. The ability of managers to make sensible decisions that might increase The personal care companies value and profitability is greatly enhanced by financial analysis. Preparing and analyzing financial statements correctly may help a firm identify its strengths, weaknesses, and opportunities while also reducing the risk of business failure.

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