

The introduction and history of dabur nepal pvt ltd:



**ASSIGN
BUSTER**

Dr. S. K. Burman set up Dabur in 1884 to produce and dispense Ayurvedic medicines reaching out to a wide mass of people who had no access to proper treatment. Dr. S. K. Burman's commitment and ceaseless efforts resulted in the company growing from a fledgling medicine manufacturing in a small Calcutta house, to household name that at once evokes trust and reliability. There are many stores in different region and country.

As a reflection of its constant efforts at achieving superior quality standards, Dabur became the first Ayurvedic products company to get ISO 9002 certification. Reinforcing its commitment to nature and its conservation, Dabur Nepal, a subsidiary of Dabur India, has set up fully automated greenhouses in Nepal. This scientific landmark helps to produce saplings of rare medicinal plants that are under threat of extinction due to ecological degradation. There are various product manufactured by this company in Nepal. Dabur's Health care range brings for you a wide selection of Ayurvedic and natural products that offer complete care for varying individual needs. Our product are derived from the time-tested heritage of Ayurveda and backed by the most modern scientific test and trials that ensure no failing quality and safety in anything you pick.

The guiding force behind Dabur's growth and success has been the wealth of nature and its limitless capacity to support life. And we have constantly taken care to preserve and protect this natural bounty with this overall vision of and to eco-sustenance, expand Dabur's resource and production base, Dabur Nepal Private Limited was set up as an independent Group company in 1992. This new company, set amidst the verdant greens and towering

mountains of the Himalayan kingdom of Nepal, has established a unique bond of technology and preservation.

2. Introduction to Financial Ratio: A financial ratio is a relative magnitude of two selected numerical values taken from an enterprise's financial statements. Often used in accounting there are many standard ratios used to try to evaluate the overall financial condition of a corporation or other organization. Ratio may be expressed as a decimal value, such as 0.10 or given as an equivalent percent value such as 30%. Some ratio is usually quoted as percentages. Different ratio measures different things. Liquidity ratios measure the availability of cash to pay debt. Active ratios measure how quickly a firm converts non-cash assets to cash assets. Debt ratios measure the firm's ability to repay long-term debt. Profitability ratios measure the firm's use of its assets and control of its expenses to generate an acceptable rate of return.

Liquid Ratios: Liquidity reflects the ability of a company to meet its short-term obligations using assets that are most readily converted into cash. Assets that may be converted into cash in a short period of time are referred to as liquid assets; they are listed in financial statement as current assets. Current assets are used to satisfy short-term obligations, or current liabilities. The amount by which current assets exceed current liabilities is referred to as the net working capital.

Current Ratio: It is used to calculate that how many short-term assets a company has to meet its short-term obligations.

Current ratio= current assets / current liabilities

a) 1. 6: 1 for year 2005

b) 1. 8: 1 for year 2004

As we know that higher the ratio better the company has more liquid assets to meet its short term liabilities. There were sufficient amounts of assets available to meet short term liabilities in the year 2005 which was 1. 6: 1 so there were 1. 6 current assets available to meet its short term liabilities and in the year 2004 the ratio was increased to 1. 8: 1 which was much better than in the year 2005. So the company had good financial status in the year 2004 than in the year 2005.

Acid Test Ratio: The acid test ratio is also known as the liquid or quick ratio. The idea behind this ratio is that stocks are sometimes a problem because they can be difficult to sell or use.

Acid Test Ratio: Current assets- closing stock/ current liabilities

0. 8: 1 for year 2005

1. 1: 1 for year 2004

As we know that higher the acid ratio, is comparatively better. So the acid test ratio in 2005 was not sufficient to meet its current liabilities but the ratio was about 1. 1: 1 in the year 2004 which was sufficient to meet its liabilities and hence the liquid ratio in year 2004 was much better than 2005.

2. 2. Profitability Ratios: profitability ratio compares components of income with sales. They gives us an idea of what makes up a company's income and are usually expressed as a portion of each unit of sales.

Primary Ratio

Return on Capital Employed: It is used in finance as a measure of the returns that a company is realising from its capital employed. It is commonly used as a reassurance for comparing the performance between businesses and for assessing whether a business generates enough returns to pay for its cost of capital. ROCE compares earning with capital invested in the company.

$$\text{ROCE} = [\text{PBIT} / \text{Capital Employed}] * 100\%$$

a) 14. 58% for year 2005

b) 18. 79% for year 2004

This shows that ROCE in the year 2004 has more profit gained than in the year 2005.

Return on Total Assets (ROTA): A ratio that measures a company's profit before interest and taxes (PBIT) against its total net assets. The ratio is considered an indicator of how effectively a company is using its assets to generate earning before contractual obligations must be paid.

$$\text{Return on Total Assets (ROTA)} = \text{PBIT} / \text{Total Assets}$$

a) 0. 097 for year 2005

b) 0. 14 for year 2004

The rate of return on total assets was better in the year 2004 in comparison with the ratio 0.097 in the year 2005 because there was more profit before interest and tax with total assets.

Secondary Ratio:

Gross Profit Margin: this ratio is the percentage of sales left after subtracting the cost of goods sold from net sales. It measures the percentage of sales remaining available to pay the overhead expenses of the company.

Gross profit margin= Gross profit/ Net sales

a) 22.1% for year 2005

b) 23.9% for year 2004

It was seen from the above data that the gross profit margin in the year 2004 was better than in the year 2005 so the company had better profit margin in the year 2004.

Net Profit Margin: This ratio is the percentage of sales dollars left after subtracting the cost of goods sold and all expenses, except income taxes. It provides a good opportunity to compare your company's return on sales " with the performance of other companies in your industry. It is calculated before income taxes because tax rates and tax liabilities vary from company to company for a wide variety of reasons. Net profit margin: Net profit Before Tax/ Net sales

4.7% for year 2005

6.5% for year 2004

The ratio measure average profit on sales. The percentage net profit to sales for Dabur Nepal Pvt. Ltd was 6. 5% in 2004 and 4. 7% in 2005 which mean that each Rs1 sales made an average profit of 6. 5 Rs in 2004 and 4. 7 Rs in 2005. This shows the Net Profit margin was better in the year 2004.

Assets Turnover: It is used to calculate revenue generated per amount of long term capital invested in the business. It is used to see how effectively the long term assets are being utilized to generate the revenue. It is given by

Assets Turnover= Turnover/ Capital Employed

3. 87 times for 2005

3. 68 times for 2004

We see the result of 3. 68 times for 2004 this means that turnover is 3. 68 times bigger than total assets. For the year 2005, it was even higher at 3. 87 times. So the total asset turnover ratio was better in 2005 than in 2004.

Activity Ratio

Inventory Turnover: Inventory turnover is a measure of the number of times is sold or used in a time period such as a year. The equation for inventory turnover is equals the cost of goods sold divided by the average inventory, inventory turnover is also known as an inventory turns, stock turns, turns. A lower turnover ratio defines overstocking a company and a higher turnover ratio indicates inadequate inventory level or less in business. A lower turnover of inventory is somehow beneficial for a production company like Dabur Nepal Pvt. Ltd.

Inventory Turnover= cost of goods sold/ average Inventory

a) 3.51 for year 2005

b) 7.65 for year 2004

Unit inventory turnover is better for the company, which excludes the over stocking and under stocking/ deficiency. It can be possible when cost of goods sold and turnover inventory are equal. As the year 2005 shows 3.51 times turnover inventories which were better because less amount of stock was there in this year but in the year 2004 the inventory turnover was more which was 7.65. As from definition we know less the turnover ratio better the profit gain by the company. So the company's financial status was better in 2005.

Debtors Turnover: It indicates the velocity of debt collection of a firm. In simple words it indicates the number of times average debtors are turned over during a year.

Debtors Turnover= [Debtors/ Sales]*365

The two basic components of accounts receivable turnover ratio are net credit annual sales and average trade debtors. The trade debtors for the purpose of this ratio include the amount of Trade debtors & Bill Receivables. The average receivables are found by adding the opening receivables and closing balance of receivable and dividing the total by two.

a) 20.50 days for year 2005

b) 22.17 days for year 2004

Accounts receivable turnover ratio or debtor's turnover ratio indicates the number of times the debtors are turned over a year. The higher the value of debtors' turnover the more efficient is the management of debtors. In the year

The debtor's turnover was 22.17 days in the year 2004 in comparison with this there was 20.50 days in the year 2005 so, the company took less days to collect its debt in the year 2005 than in the year 2004. As a result the company had better financial state in 2005.

Conclusion:

The turnover of the company has increased by 4.69% over the previous year. The net profit after tax has reduced by 2.28% over the previous year due to lower contribution margin. During the year company has invested Rs 24.65 crore on account of fixed assets. Out of which, major amount is spent towards installing a new packing machine in juice plant in flex pack and increasing cold store capacity. It has deposited off its fixed assets amounting Rs 4.51 crore during the year.

Hence as a whole Dabur Nepal Pvt. Ltd has well financial status in year 2004 but all the ratios were affected by the political instability of politic in Nepal as well as by other effect of the company.

References:

http://www.dabur.com/EN/Investors1/Annual_reports/2004-05/Dabur-Nepal-fina-05.pdf

<http://www.bized.co.uk/compfact/ratios/>

<https://assignbuster.com/the-introduction-and-history-of-dabur-nepal-pvt-ltd/>

Course Work

Managing Financial Principles and Techniques

Level 7

Advanced Professional Diploma in Management Studies

Submitted to:

Course Tutor/ Assessor

Muhammad Atif Majeed

Submitted by:

Kabindra Simkhada

Id: 201093

London College of Business & Information Technology

Contents

Net present Value 1

Pay Back Period 1

Internal Rate of Return 1

Post completion Audit 1

Methods of finance available for company A 2

Scatter diagram 3

Advantage of Scatter Diagram 4

Disadvantage of Scatter Diagram 4

Appendix 5

Forecasting total cost

Net present value:

Both incoming and outgoing of a time series of cash flows is defined as the sum of the present values of the initial investment. The NPV is similar to PV of future cash flows minus the purchase price. This is a central tool for discounted cash flow analysis and is a standard method for using the time value of money to appraise long term project. It is used for capital budgeting, economics, finance and accounting. It measures the excess or shortfall of cash flows.

The net present value of the company A is \$76, 990. this means in an initial investment of \$260, 000 in a project for 5 years of period the profit gain in the project is \$76, 990.

Pay Back Period

In capital budgeting refers to the period of time required for the return on an investment to repay the sum of the original investment is payback period.

The time value of money is not taken in account. It measures how long something takes to pay for itself. This term is also widely used in other types of investment areas, often with respect to energy efficiency technologies, maintenance, upgrades, or other change. Payback period is a tool of analysis is often used because it is easy to apply and easy to understand for most individuals. It is useful for comparing similar investment.

According to the project A we earn or get back our initial investment in 3 years 6 month of period and after that period all the money gained is profit.

Internal Rate of Return (IRR)

It is also called discount cash flow rate of return or simply the rate of return.

The internal rate of return on an investment or project is the annualized effective compounded return rate of discount rate that makes the net present value of all cash flow from a particular investment equal to zero. It is commonly used to evaluate the desirability of investment or projects. The higher a project's IRR the more desirable it is to undertake the project.

Assuming all other factors are equal among the various projects, the project with the higher IRR would probably be considered the best and undertaken first.

At the discount rate of 7. 10% the NPV of project is equal to 0.

Post Completion Audit

Post completion audit is a key example of an internal audit. In this process technical details are discussed briefly. The purpose of post-auditing is to examine how well or badly a project has performed after it has been implemented. This process may be taken at any stage after a project has been started and need not wait until after the project has been completed. It is important for the project to perform post completion audit. Following are the benefit of post completion audit.

Improved quality of decision making: after feedback and suggesting changes that need to be made to the process of decision making

Improved realism of project appraisals: this is to attempt to prevent biasing upward of cash flow in proposals.

Identification of key variables: This after the event knowledge can help to identify what the actual key variables were compared with the ones that were thought to be the case before implementation

More frequent project termination: although firms are often unwilling to stop unsuccessfully projects, it may be the logical thing to do. Performing post audit actually gives the information to make that decision.

Following things are checked in post completion audit.

Check whether the required quality has been achieved.

The efficiency of the solution during operation compared with the agreed performance and standards.

The actual cost of the project compared with the budgeted expenditure and the reasons for over or under expenditure identified

The time taken to develop the solution compared with the targeted date for completion and reasons for a variance identified

The effectiveness of any problems encountered and the effectiveness of the solutions generated to deal with them.

If the project objectives have been stated in terms of learning outcomes, the extent to which these have been achieved would also be investigated. The

audit would lead to the production of a report to the management, structured around the above points.

Post completion is one of the important part of the project with the help of which we can verify whether the project meet the requirements, whether the project is completed or not. This is the basic requirements of the project now a day's.

Methods of finance available for company A

Public limited Company is the company which gives services to the public.

This company is non profitable organisation whose goal is to provide better and efficient services to the customer or public. A plc is a company that is able to offer its shares to the public which means it share its profit and public also take part or public are also the owner of the company. For long term sustain of the company finance are those that are needed over a longer period of time generally over a year. This company should give services to the public for long time. The methods of finance available for this company are as follows

Shares: – Shares relate to companies set up as plc. If a company want to expand the business then they can sell shares to the general public. This means any one can buy the shares in the business.

Venture capital: – Venture capital is becoming an increasingly source of finance for growing companies. Venture capitals are on the lookout for companies with potential. They are prepared to offer capital to help the business grow. In return the venture capital gets some say in the running of the company as well as a share in the profit made.

Bank loan: - as with short term finance, banks are an important source of longer term finance. Banks may lend sums over long period of time possibly up to 25 years or even more in some cases. The loans have a rate of interest attached to them. Using bank loan might be relatively easy but the cost of servicing the loan can be high. If interest rates rise then it can add to a business costs and this has to be taken into account in the planning stage before the loan is taken out.

Government grant: - some of the company get funds from the government. This could be medical sector, security sector etc which get its most of the funds from the government.

Retained profit

Owner's Capital: - some people are in a fortunate position of having some money which they can use to help set up their business. The money may be the result of savings, money left to them by a relative in a will or money received as the result of a redundancy payment. This is not enough sums to finance the business fully but will be one of the contributions to the overall finance of the business.

Selling assets: - By selling the assets like property, machine, equipment, other companies or even logos. In some cases it may be appropriate for a business to sell off some of these assets to finance other projects.

Lottery funding: - in UK the National Lottery might be a possible source of funds for some types of business. These businesses will mostly be charities or charitable trusts. The company that are not for profit business so any

surplus they make is put back into the business to help develop and improve it.

Scatter diagram

A scatter diagram or scatter graph is a type of mathematical diagram using Cartesian coordinates to display values for two variable for a set of data. The data is displayed as a collection of points, each having the value of on variable determining the position on the horizontal axis and the value of the other variable determining the vertical axis. This kind of graph is called scatter diagram.

This diagram mostly used for the experimental purpose. Different data collected from the experiment is plotted in the graph. If data exist that is systematically incremented or decremented by other, it is called the control parameter or independent variable and is customarily plotted along the horizontal axis. The measured or dependent variable is customarily plotted along the vertical axis. If no dependent variable exists, either type of variable can be plotted on both axis and a scatter plot will illustrate only the degree of correlation between tow variables.

A scatter plot can suggest various kinds of correlation between variables with a certain confidence interval. Correlations may be positive, negative, of null. If the pattern of dots slopes form lover left to upper right, it suggests a positive correlation between the variables being studied. If the pattern of dot slopes form lower left to upper right. It suggests a negative correlation. A line of best fit can be drawn in order to study the correlation between the variable. An equation for the correlation between the variable can be

determined by established best fit procedures. For a linear correlation, the best fit procedure is known as linear regression and is guaranteed to generate a correct solution for arbitrary relationships.

The scatter diagram is one of the basic tools of quality control.

Benefits of scatter plot are as follows

The diagram shows the relationship between two variables where one variable is drawn at horizontal axis and other is plotted at vertical axis.

This scatter plot is best method to illustrate the non linear pattern.

This is the best method used for finding results in experiment.

Disadvantages of scatter plot

It is difficult to find exact value of the variables.

To get the exact value we need more experimental values because of which this method is time consuming.

It is difficult to get accurate result from more scattered data.