

MEASURING FINANCIAL HEALTH OF SELECTED FIRMS WITH SPECIAL REFERENCE TO INDIAN FMCG INDUSTRY: AN APPLICATION OF ALTMAN'S Z SCORE MODEL

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ABSTRACT

Measuring financial soundness of a firm has become an imperative and imminent need in the context of emerging hyper competition in almost every sector of the business. Financial soundness of a firm is reflected through various financial parameters which are closely associated with each other. By establishing a close relationship between the variables, a firm can analyze its financial performance in terms of liquidity, profitability, viability and sustainability (M.S.Ramaratnam, R.Jayaraman 2013). In order to measure the performance, ratios, the indicators, are normally used to identify the financial health of the firm. There are more than 40 different ratios available to analyze and predict the financial soundness of a firm. Since single ratio does not convey much of the sense, Altman combined a number of accounting ratios to form an index of profitability, which is regarded as an effective indication of corporate performance in predicting financial soundness of a firm. Hence, this paper has made an attempt to analyze the financial health of select companies of FMCG sector by applying Altman's Z – Score (VikasTyagi 2014) and found the selected sample from FMCG industry is in the safe zone which indicates that many FMCG manufacturers in India are financially sound.

KEY WORDS: Altman's Z score model, Liquidity, Profitability, Sustainability and viability.

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