International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Financial Performance and Analysis of Nestle India Ltd.

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ABSTRACT:

The context of financial analysis of the study of nestle Ind Ltd. To restore financial stability, the study apparently examined the company's financial data from 2015-2020, focusing on liquidity indicators, solvency ratios, operational indicators and profit ratios. The company has grown well in the last five years, but the results of the study suggest that the improvement of the company's processes is still necessary to improve the financial condition of the company in the future. In addition, the study looked at how macroeconomic factors affected a company's financial structure, particularly how growth rate and monetary policy affected leverage and debt. The study also showed that while interest rates did not have a significant effect on the debt ratio and the debt ratio, the total debt of the financial sector has a significant effect on the total debt. This information can help a company make smart choices as it evaluates its financial structure and adjusts its operations as needed. Overall, the study provides useful information to Nestle India Ltd. about financial analysis and how financial information can be used to improve future financial stability.

Keywords: Financial stability, debt ratio, financial sector, Financial data, operational indicators.

1. Introduction:

Lowering the danger. Yet, striking this balance may be challenging, therefore businesses must carefully take into account a variety of elements when creating their financial structure. The company's size and potential for growth are quite important. A business that is growing quickly might require additional funding or more debt or equity issuance to keep up with its growth. On the other side, a mature corporation might have distinct financial needs and favour stability above progress. Also, the industry in which the business operates must be considered. Industries with higher capital requirements, like manufacturing and transportation, could need more debt financing than those with lower capital requirements, such technology or service businesses.

2. STATEMENT OF THE PROBLEM MISSING:

If you could give me any history on Nestle India Ltd.'s financial development, I would be grateful. The study's aim appears to have been to evaluate the company's financial growth over the previous five years, from April 1, 2015, to March 31, 2020. Each business that wants to make sure that its operations are productive and efficient must make financial investments. analysis By carefully examining and understanding their financial statements, businesses can evaluate their profitability and financial stability. Companies can make intelligent decisions regarding investments, budgeting, and other financial decisions by scrutinising their financial performance. Nestle India Ltd. analysis of the financial results of the last five years is important because it provides insight into the long-term financial stability and growth of the company. A study will likely use a variety of financial analysis methods and tools to examine a company's financial statements, including profitability ratios, solvency ratios, liquidity ratios, and operating ratios. In general it can be said that Nestle India Ltd. can use research results to inform your future financial, investment and budgeting decisions.

3. Review of Literature:

1. Anuradharajendran (2009) has analyzed financial and accounting statements of sugar mill firms for a period of 10 years from 1997 to 2007. The main objective is to analyses the sales performance, financial performance, and profitability of sugar mills of Tamilnadu region. The results indicate that ratio analysis and trend analysis is sued to analyze the financial data. There is positive correlation between return on total assets and inventory turnover ratio. The study concludes that higher the assets, larger the inventory will yield maximum profit for the company.

2. Subramanian and Venatachalam (2014) used ratios including likelihood, activity ratio, and liquidity ratio to analyse the financial performance of a paper manufacturing company.The study comes to the conclusion that profitability ratios and turnover ratios can offer more useful information to comprehend the firm's financial operations.

3. The financial statements of real estate companies were analysed by Renuka and Ganesan (2015), who discovered that profitability ratios, turnover ratios, and solvency ratios offer a clearer picture of the firm's situation and performance in the next years.

4. In their research report from 2016, Parley and Zang evaluated the percentage of southern dairy farmers' perceptions of the performance of their supporting or proprietary handlers, their level of satisfaction with the handlers, and their motivation for sticking with the existing milk supervisors. The survey revealed that the price, deduction, value, and price farmers received appeared to be a notable component which affected farmers' levels of satisfaction. Dairy farmers were also concerned about price.A trade-off between amount and deductions and service, market, and payment guarantee is also introduced by the study.The study predicted that dairy farmers will want a cooperative that provides members with a guaranteed market.

5.Drs. S. Kavitha and A. Ramya (2017) They looked at Maruti Suzuki's financial performance between 2010 and 2015. The study makes use of profitability ratios and activity ratios. They discovered that as we approach 2014–2015, the gross profit ratio, current ratio, asset turnover ratio, and net profit turnover ratio all started to decline. They also come to the conclusion that the financial statement calculations, which are made in accordance with intended management and policies, do not provide a clear view of the company's performance.

6.Anantlodha (2014) researched corporate financial statements for the years 2012 and 2013 for his project. Swot, ratio, du-point, cross-sectional, and cash flow analysis are some of the instruments he employs. And in the end, he arrived at the conclusion that the company relies more on its own resources than on borrowed money, that its profits are expanding quickly, and that its net income is 4% more than its costs.

7. Madhavi Dhole (2013) investing in the effects of share price changes on the success of a certain firm. It advises careful investors to take a variety of aspects into account before selecting the best portfolio. Only in the short term, sentimental considerations influence price movement; nevertheless, over the long term, annual performance is the only factor to account for changes in price.

8. Anupa Jayawardhana (2016) She had content of Adidas from the year 2010-2014. She uses tools like horizontal analysis, trend analysis, vertical analysis ratio and key ratio. He come to conclusion that they should reduce their operating expenses and capital should be invested in productive asset.

9. Information research conducted by M. Ravichandran and M. Venkat Subramanian at Force Motors (formerly Bajaj Tempo) between 2010 and 2015. This indicates that they evaluate the financial performance of the company at that time using comparative financial report analysis and report analysis. The study conducted by the researchers concluded that the financial performance of Force Motors is good, which is reflected in the increase in reserves and surpluses and the decrease in loans. However, they also found room for improvement, especially in reducing operational, administrative and sales costs. Force Motors can further improve its financial performance by focusing on these areas and implementing cost-saving measures.

4. Research methodology:

The research is based exclusively on secondary sources, mainly the company's annual reports. The author explains that correlation analysis was used in the study and evaluation of the collected data. The author of the report states that profitability has been chosen as the performance indicator to assess the economic development of Nestle India. The data used in the study covers the five-year period 2015-2020. The author emphasizes that the main source of information for evaluating the financial results of a company is its financial reports. For example, a balance sheet or income statement provides a logical and consistent accounting summary of a company's financial position at a certain time or period. income statement). The author claims that the financial performance of a company can be evaluated based on financial statements. Overall, the author describes a secondary data approach and uses ratio analysis as a tool to evaluate the financial performance of Nestle India over five years. The author emphasizes the value of financial statements as a source of information in evaluating the economic results of the company.

5. Objectives:

- To examine the company's five-year financial position and liquidity.
- To assess selected companies' liquidity positions in comparison.
- To assess NESTLE INDIA LTD's financial performance over a five-year span (from 2015– 16 to 2019–20).
- To explore the company's earning potential in terms of profitability for both the present and the future.
- To assess the company's liquidity position during the study's reference period in order to evaluate NESTLE INDIA LTD long-term financial solvency position.
- To calculate the firm's trend in sales and profit.

6. RATIO ANALYSIS & TABLE: LIQUIDITY RATIO:

A. Current ratio:

The firm's ability to pay its short-term debts is gauged by the current ratio. The connection between current assets and current liabilities is established. By dividing current assets by current liabilities, it is calculated. Current assets consist of cash and bank balances, marketable securities, inventories, and debtors, but not bills receivable, prepaid expenses, or provisions for bad debts and questionable debtors.

Current Ratio = Current Asset/Current Liabilities

TABLE NO:8.1 CURRENT RATIO

Year	Current Assets	Current Assets	Ratio
2015-2016	2789.51	1365.90	2.04
2016-2017	3368.10	1765.25	1.90
2017-2018	3566.99	1567.21	2.28
2018-2019	4766.18	1787.76	2.67
2019-2020	3998.90	2567.98	1.56
AVERAGE			**10.45**

INTERPRETATION:

The current ratio was 2.04 in the fiscal year 2015–16, 1.90 and 2.28 in the fiscal years 2016–17 to 2017–18, 2.67 in the fiscal year 2017–18, and finally 1.56 in the fiscal year 2019–2020, according to the above table.Current to voltage is typically 10.45. The company's average ratio of 2.126 is acceptable.

B. Absolute Liquidity Ratio:

It illustrates the connection between liabilities and absolutely liquid or extremely fast current assets.Money in the bank, marketable securities, and cash are all examples of absolutely liquid assets. This ratio should be 1: 2, which is the most advantageous and ideal value.The absolute liquid ratio indicates that there are enough money in the form of cash to cover all of the company's immediate financial obligations if the ratio is much higher than one.

Absolute liquid ratio = Absolute liquid assets/Current liabilities.

TABLE NO:8.2 ABSOLUTE LIQUIDITY RATIO

Year	Cash & Marketable Securities (Rs.in cr)	Current Liabilities (Rs.in cr)	**Ratio**
2015-2016	1563.67	1678.90	0.93
2016 -2017	2266.90	1876.90	1.21
2017-2018	2987.01	1778.90	1.67
2018-2019	3838.00	1989.1	1.93
2019-2020	2451.8	2981.11	0.82
Average			6.56

INTERPRETATION:

The recommended standard for this ratio is 1:2 to achieve a liquidity position. If the ratios are below the recommended level, the company may struggle to make progress in day-to-day cash management. Nestle India Ltd. the liquidity ratio increased from 2015 to 2019 and then decreased the following year. The average ratio of the company is 6.56.

C. Acid test ratio/Quick ratio:

This ratio is the most precise technique to evaluate a company's liquidity. This connection is more cautious than the one you're in now. Current assets are taken into account when non-monetary assets are subtracted. The ideal ratio is typically thought to be 1:1. Acid test ratio/Quick ratio=Quick asset/current Liabilities

TABLE NO:8.3

Year	**Quick Asset**	**Current Liabilities**	**Ratio**
2015-2016	1789.0	1567.26	1.14
2016 -2017	2657.8	1787.31	1.48
2017-2018	3178.2	1656.29	1.92
2018-2019	3256.6	1988.55	1.64
2019-2020	2789.3	2221.11	1.26
Average			**7.44**

Interpretation:

The quick ratio reveals if the business has enough cash on hand to pay its monthly current obligations. The ratios in this case are 1.14, 1.48, 1.92, 1.64, and 1.126 in comparison to the typical 1:1 ratio. So, the business can pay its short-term loans within a month, and its average ratio is (7.44).

Solvency Ratio:

A. Debt Equity Ratio:

The debt equity ratio identifies the proportionate claims made on the assets of the business by owners (ownership interests) and creditors (third parties). So, this ratio demonstrates the proportionate contributions of debt and equity in funding the assets of the organisation. It is figured up by deducting shareholder funds from outside funds (debt) (equity). Assets owned by shareholders include cash, extra cash, equity and preference share capital, and accumulated earnings.

Debt equity ratio = Outsider Funds (Total Debts)/Shareholder Funds or Equity

TABLE NO:8.4 DEBT EQUITY RATIO

Year	**Long Term Debt (Rs.in cr)**	**Shareholders Fund (Rs.in cr)**	**Ratio**
2015-2016	1876.81	2889.80	0.65
2016 -2017	2079.75	3109.72	0.67
2017-2018	2167.94	3564.34	0.61
2018-2019	2678.05	3668.26	0.73
2019-2020	2987.19	1987.45	1.50
Average			**4.22**

Interpretation:

The ratio measures the equity to debt ratio. When it is 2:1, it is considered to be the right ratio. A high ratio means that creditors' claims outweigh owners' claims. An unusually high ratio is unfavourable from the company's perspective. A low debt to equity ratio implies an owner's claim over creditors. During the years 2016, 2017, 2018, 2019, and 2020, the ratios are 0.65, 0.67, 0.61, 0.73, and 1.50, respectively, and the company's average ratio is 4.22. So, it follows that the company has a solid long-term solvency status.

B. Proprietary Ratio:

This ratio shows the owner-financed portion of total assets. All assets are divided by the assets of the owner (shareholder) to calculate this. This ratio describes the financial condition of the organization. From the point of view of the interests of creditors, it is important to know what part of the total assets are shareholders. A higher ratio means better security for creditors, while a lower ratio means more risk for creditors. This shows how successful the company is in the long run.

Proprietary ratio = Shareholder funds/Total asset:

TABLE NO:8.5 PROPRIETARY RATIO

Year	**Shareholders Fund (Rs.in cr)**	**Total Asset (Rs.in cr)**	**Ratio**
2015-2016	2989.10	6181.99	0.48
2016 -2017	3001.91	6980.11	0.43
2017-2018	3542.76	7456.33	0.47
2018-2019	3738.21	8188.09	0.45
2019-2020	1876.09	7189.77	0.26
Average			**2.09**

Interpretation:

The proprietary ratio is used to calculate the shareholder's total financial contribution to the asset. A low ratio indicates that the creditors are more at risk, whereas a high ratio indicates that the creditors are protected. The typical ratio is 1:3. For the years 2015–16 to 2019–20, the ratios are 0.46, 0.44, 0.46, 0.45, and 0.27, respectively, while the company's average ratio is 0.416.

C. Fixed Asset To Networth Ratio:

This relationship connects equities with fixed assets. It is calculated as fixed assets divided by shareholders' assets. Assets owned by shareholders include share capital, preemptive rights, reserves, cash excess, and accrued profit. These sums should be deducted from the shareholders' money using bogus methods like charges and the like. The total of the funds contributed by the shareholders makes up the company's accounting net worth.

Fixed assets to net worth ratio = Fixed Assets / Net Worth *100

TABLE NO:8.6 FIXED ASSET TO NETWORTH RATIO

Year	Fixed Asset(Rs.in cr)	Total Shareholders Fund(Rs.in cr)	Ratio
2015-2016	3256.76	2998.20	1.08
2016 -2017	2980.11	3118.22	0.96
2017-2018	2871.19	3543.18	0.81
2018-2019	2609.09	3765.43	0.69
2019-2020	24561.15	1945.92	12.62
Average			**16.16**

Interpretation:

A portion of the fixed asset was purchased with creditors' money if the ratio is greater than one. We may conclude that the company does not need to use creditors' funds to acquire fixed assets because there are more than one ratio present here and the average ratio for the company is 1.87.

A fixed asset to net worth ratio of 0.96 is ideal. Here, the obtained ratios are higher than the desired ratio. Larger values suggest a risk because the business would be exposed to any unanticipated occurrences or changes.

Profitability Ratio

A. Net Profit Ratio:

This is also called net margin. It measures how sales and a company's net income are related. A company would be better prepared for tough financial times if it had a high net profit margin that would provide a reasonable return to shareholders. This is because as selling prices decrease, production costs rise and demand for the product decreases. If the net margin is low, it will have a negative impact.

Net profit ratio = earning after interest & tax/net sales*100

TABLE NO:8.7 PROPRIETARY RATIO

Year	Net Profit (Rs.in cr)	Revenue From Operations (Rs.in cr)	Ratio
2015-2016	813.63	8123.27	10.01
2016 -2017	1441.54	9159.28	15.73
2017-2018	1839.30	9952.53	18.48
2018-2019	2428.95	11216.23	21.65
2019-2020	2671.99	12295.27	21.73
Average			**17.52**

Interpretation:

This ratio is incredibly helpful to business owners because it is used to gauge overall profitability. In this case, the firm's profitability shows an upward trend. This pattern shows successful cost management and sales marketing.

FINDINGS:

- Current and voltage are usually 2:1. The company's ability to meet short-term or maturing obligations during the year is shown by its average ratio of 2.126, which is satisfactory.
- The company can pay its short-term obligations within one month.
- Every year, the company's absolute liquidity ratio varies, with an average of 1.436. So, the business can struggle to control the daily progress of cash management.
- The company's long-term solvency situation is strong.

- The business doesn't have a good solvency situation.
- Working capital fluctuations caused by changes in net working capital demonstrate the requirement for a consistent working capital management approach.
- We can forecast the profit trend for the upcoming years based on the profit position over the previous five years. The current trend predicts expansion in the coming years.

CONCLUSION:

One of the fastest-growing private sector companies worldwide is Nestle Ltd. Over time, the company's financial status exhibits a varying trend. Although a consistent gain cannot be witnessed, it also never descends into a losing circumstance. The variations could be caused by managerial concerns and the pandemic year. Although the corporation is making an effort to address these problems, it hasn't gone far enough. To ensure the company runs well, more effort should be made. It may be said that while the company's liquidity and solvency situation is adequate, it still needs to strengthen its profitability position. According to the research, Nestlé

India Ltd.'s financial structure is significantly influenced by macroeconomic factors. In order to increase the significance and reliability of the findings, future research will expand the sample size and the time period under study, select external factors that are not significantly linked with one another, and develop regression models. Financial statements are crucial for presenting decision-makers with data and facts. Nestle India Ltd is where the study was done. It is a manufacturer of FMCG products in India. Manufacturing of foods and drinks is what the business does.Using the trade name "Nestle," they market their goods. On March 28, 1959, it became a corporation. The study's primary goal was to evaluate the business's financial performance. Financial analysis establishes a company's health and stability and gives insight into how it runs its operations. It was evident from the analysis that the company's overall performance is satisfactory.

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