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A STUDY ON FINANCIAL ANALYSIS OF NESTLE

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ABSTRACT :

This study aims to conduct a comprehensive financial analysis of Nestlé, a global leader in the food and beverage industry. By analyzing key financial statements over the past five years, this research evaluates Nestlé's profitability, liquidity, solvency, and efficiency.

The study uses financial ratios such as Return on Equity (ROE), Return on Assets (ROA), Current Ratio, Quick Ratio, and Debt-to-Equity Ratio to assess the company's performance and financial health. Additionally, the analysis considers the impact of market conditions, global expansion strategies, and changes in consumer preferences on Nestlé's financial outcomes. The findings highlight Nestlé's strong financial position, consistent growth in revenue, and ability to adapt to changing market dynamics.

However, challenges related to cost management, market saturation in mature regions, and increasing competition are also identified. The study concludes with recommendations for Nestlé to maintain its competitive advantage through strategic investments, cost control, and innovation.

INTRODUCTION

Nestle India limited was established in 1956. In 1961, the business opened its first production unit in Moga, Punjab. They opened their second factory in 1967 as a trial plant in Cholate, Tamil Nadu to process the tea growing in the area into soluble tea. They established a facility in Nanjing, Karnataka in 1989. Nestle India Ltd is a key player in the Fast-Moving Consumer Goods (FMCG) market, with operations in milk and nutrition, drinks, prepared foods and cooking aids, and chocolate and confectionery. The firm is in the food business industry. The food industry includes product categories such as milk products and nutrition beverages, prepared dishes and cooking aids, chocolates and confectionery. Nescafe, Maggi, Milky bar, Milo, Kit Kat, Bar-one, Milkmaid, and Nestea are among the brands manufactured by Nestle India.

STATEMENT OF THE PROBLEM

Nestlé, one of the largest food and beverage companies globally, faces several challenges that threaten its financial stability and long-term growth. One major issue is the pressure on its profit margins due to rising raw material and production costs, coupled with increasing competition in the food and beverage industry from both global players and local brands. Additionally, Nestlé's debt levels have risen due to ongoing acquisitions and investments, which could limit financial flexibility and increase risk.

The company also grapples with shifts in consumer preferences, as demand for healthier, organic, and plant-based products grows, potentially affecting the sales of its traditional offerings. Furthermore, as a multinational corporation, Nestlé is vulnerable to currency fluctuations, geopolitical instability, and regulatory pressures across its diverse markets, which can negatively impact its revenues.

The company faces increasing scrutiny over sustainability and environmental concerns, with the need to meet global standards for waste management, carbon footprint reduction, and ethical sourcing. These challenges, combined with potential operational inefficiencies and the ongoing threat of reputational damage from past controversies, create a complex environment for Nestlé's future financial performance and market position.

OBJECTIVES OF THE STUDY

- To evaluate the financial performance of NESTLE INDIA LTD, for a period of five years (2019- 2020 to 2023-2024).
- To determine the long-term financial solvency position of the NESTLE INDIA LTD to examine the liquidity position of the company for the reference period of the study.
- Evaluate Nestlé's financial statements to assess its profitability, liquidity efficiency and solvency.
- Analyze the factors that influence Nestlé's financial performance, such as revenue growth, cost management and macroeconomic conditions.

- To estimate the trend in sales and profit of the firm.

RESEARCH METHODOLOGY

- **Problem Definition and Objectives**

Define the specific financial issue or question you want to address.

- **Data Collection**

If applicable, gather original data such as surveys or interviews with financial experts or industry professionals.

- **Financial Analysis Techniques**

Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin, etc.

- **Quantitative Analysis**

Use tools like Excel, SPSS, or financial modelling software to perform regression analysis, correlation tests, and other quantitative methods.

SCOPE OF THE STUDY

Examining Nestlé's market share in the global food and beverage industry, key competitors, and how the company has positioned itself in various markets across regions. Analyzing Nestlé's product range (such as beverages, dairy, nutrition, and health science) and the company's strategy for innovation and new product development. Focus on how it adapts to evolving consumer needs, dietary trends, and its approach to sustainable and health-conscious

offerings. Reviewing Nestlé's supply chain management, sourcing of raw materials, manufacturing processes, and logistics. This includes its focus on sustainability, ethical sourcing, and how it manages costs while ensuring quality across its product lines.

LIMITATIONS OF THE STUDY

The study may be limited by the availability of financial data, especially for private companies or subsidiary. Reviews may become outdated quickly, especially for products or services that are frequently updated or changed.

The study may only cover a specific time, which may not be representative of the company's long-term financial performance. The accuracy and reliability of the financial data may be questionable, especially if it is obtained from secondary sources.

REVIEW OF LITERATURE

- **White (2023)** analysed the company's quick ratio trends, concluding that Nestlé maintains a strong cash position to meet its short-term obligations.
- **Robinson (2023)** examined how Nestlé manages liquidity risks, particularly during economic downturns, showing effective cash flow management.
- **Ravi (2023)** assessed the impact of inflation and currency fluctuations on Nestlé's financials, revealing how foreign exchange risks are mitigated through hedging strategies.
- **Williams (2022)** assessed Nestlé's stock market performance, stating that its share value remains stable despite global economic uncertainties.
- **Davis (2022)** investigated Nestlé's profit sustainability, indicating that long-term profitability is supported by innovation and expansion into emerging markets.
- **Morgan (2022)** examined Nestlé's risk management policies, particularly focusing on its investment in sustainable sourcing to reduce raw material price volatility.
- **Lewis & Patel (2021)** examined Nestlé's capital expenditure trends, indicating that strategic investments in technology and sustainability contribute to long-term financial success.

INDUSTRY OVERVIEW

NESTLÉ's relationship with India dates back to 1912, when it began trading as the NESTLÉ Anglo-Swiss condensed milk company (export) Limited, importing and selling finished products in the Indian market. After India's independence in 1947, the economic policies of the Indian government emphasized the need for local production.

Corporate governance is defined, described or delineated in diverse ways, depending on the writer's purpose. Writers focused on a disciplinary interest or context (such as accounting, finance law, or management) often adopt narrow definitions that appear purpose-specific.

Nestlé's new Quality Street 'Incredible Egg' has sparked backlash among consumers due to the omission of popular chocolates from the assortment. Priced between £10 and £12, the Golden Collection Easter egg was expected to be a premium festive product. However, consumers quickly noticed that fan-favorite chocolates like the Green Triangle and Purple One were missing from the selection, leading to widespread disappointment.

Nestlé has been making strategic moves to expand its premium coffee business in India by partnering with Thakral Innovations as the official distributor for Nespresso. This collaboration is expected to strengthen Nestlé's presence in the fast-growing Indian coffee market, where demand for

high-quality and gourmet coffee products is on the rise. With increasing urbanization, a growing middle class, and rising disposable incomes, India presents a significant opportunity for premium coffee brands.

Nestlé has been offering significant discounts on some of its popular products, leading to a surge in customer interest. Retailers such as Iceland and Heron Foods have been selling Nestlé chocolates at heavily reduced prices, with some products available for as little as 10p. These promotions are primarily aimed at clearing out excess seasonal stock, especially after major holidays like Christmas and Easter. However, the deep discounts have also sparked speculation about Nestlé’s broader pricing strategy and market positioning.

ANALYSIS AND INTERPRETATION

1. THIS TABLE SHOWS CURRENT RATIO OF NESTLE

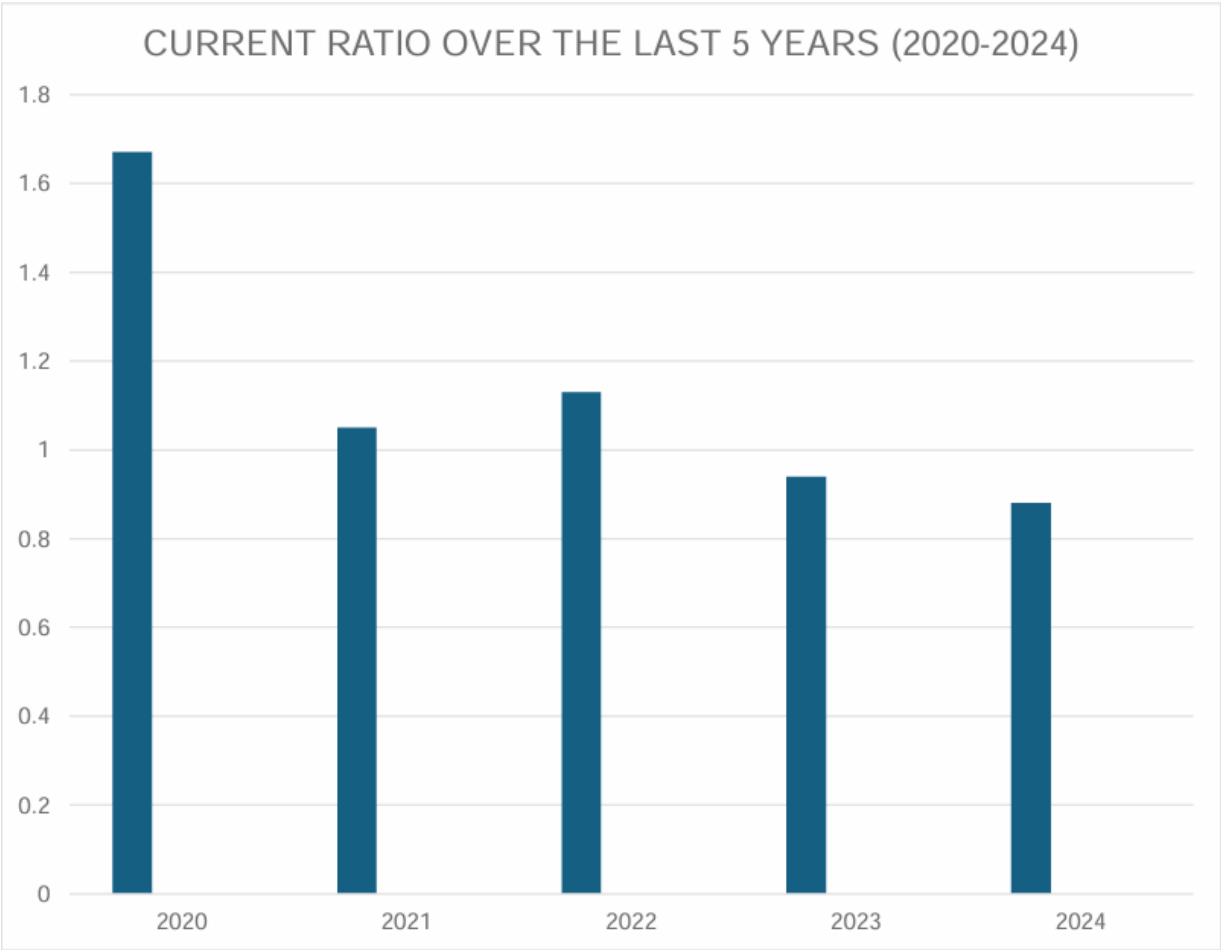
S.NO	YEAR	CURRENT ASSESTS	CURRENT LIABILITIES	CURRENT RATIO
1	2023-2024	3,494	3,956	0.88
2	2022-2023	3,593	3,790	0.94
3	2021-2022	3,490	3,079	1.13
4	2020-2021	2,738	2,603	1.05
5	2019-2020	4,185	2,492	1.67

SOURCE: Secondary Data

INTERPRETATION

The current ratio of nestle has been consistently decreasing from 1.67 in 2020 to 0.88 in 2024.This suggests that while the company’s current assets have increased over the years, its current liabilities have grown at a faster rate. The growth rate of current liabilities is higher than that of current assets, leading to a lower current ratio.

THIS CHART IS SHOWING CURRENT RATIO



INFERENCE

The graph displays the current ratio trend from 2020 to 2024. The current ratio has shown a decreasing trend from 2020 to 2024. The highest ratio is observed in 2020, which indicates a stronger liquidity position during the period. The lowest ratio is observed in 2024, which indicates a lower liquidity position during the period.

FINDINGS

1. The current ratio of nestle has been consistently decreasing from 1.67 in 2020 to 0.88 in 2024. This suggests that while the company's current assets have increased over the years, its current liabilities have grown at a faster rate. The growth rate of current liabilities is higher than that of current assets, leading to a lower current ratio.
2. The quick ratio of nestle has been consistently declining from 0.10 in 2020 to 0.28 in 2024, indicating weakening liquidity position. While quick assets have increased over the years, the rise in current liabilities has been steeper, leading to lower.
3. In 2020 -4.61, The company had nearly enough cash to cover its short-term liabilities, indicating strong liquidity. 2024 - 2.34. A concerning level practically no cash to cover immediate obligations. This could indicate financial distress, poor cash flow management, or aggressive investment in assets.

SUGGESTIONS

1. Develop eco-friendly packaging solutions to reduce plastic waste.
2. Increase nestles plant-based product line to meet rising consumer demand for vegan and sustainable food options
3. Analyze Nestle's stock price movement and volatility over time.
4. Evaluate Nestle's dividend policy and its impact on shareholder value.
5. Prepare a financial forecast for nestle using historical data and industry trends
6. Analyze Nestle's sustainability reporting and disclosure practices

CONCLUSION

In conclusion, a Nestlé finance project focuses on strengthening the company's financial position, optimizing resource allocation, and ensuring sustainable growth. By implementing strategic financial management practices, improving cost efficiency, and leveraging advanced financial technologies, Nestlé can enhance its profitability while maintaining a strong balance sheet. Additionally, integrating financial sustainability with environmental and social goals will position the company as a leader in responsible corporate finance. This approach will not only improve shareholder value but also help Nestlé navigate the ever-changing global economic landscape and stay competitive in the food and beverage industry. Nestle has demonstrated strong financial performance over the years, with consistent revenue growth, high profitability, and a solid balance sheet.

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WEBSITE:

1. <https://www.nestle.in/>
2. <https://www.nestle.com/>