



A STUDY ON FINANCIAL PERFORMANCE OF NESTLE INDIA LTD

¹Mr. A. David, ²Ms. T. Dharani

¹Assistant Professor, Department of Commerce with Professional Accounting,
Dr.N.G.P Arts and Science College, Coimbatore

²181PA015, Department of Commerce with Professional Accounting,
Dr.N.G.P Arts and Science College, Coimbatore

ABSTRACT

Financial analysis is the process of identifying the strength and weakness of the firm. The goal is to analyse the financial statements to assess past performance and current financial position and to make predictions about the future performance of a company. The objective of the study is to evaluate the financial position of Nestle India Ltd by using ratios. It is based on secondary data collected from journals, books and CMIE. The tools like current ratio, net profit ratio, total assets turnover ratio and other some of ratio are taken in this study. The company has to increase net income and decrease the investment of total assets in order to generate additional income. . The company's financial performance has strong position in profitability of the five years is analysed and it is proved that company is financially sound.

KEYWORDS: Current ratio, Net income, Profitability

1. INTRODUCTION

Financial management is playing an important role because finance is backbone of every managerial activity. The goal is analysing the financial statements to assess past performance and current financial position. It is the process of identifying the financial strength and weakness of the firm. It can be done by establishing relationships between the items of financial statements viz, balance sheet and profit and loss account. Financial performance includes analysis and interpretation of financial data. To analyze financial data, calculate ratios from the data in the financial statements. Interpretation, which follows the analysis of financial statements, is to attempt to reach to logical conclusion regarding the position and progress of the business on the basis of analysis.

2. STATEMENT OF THE PROBLEM

The objective is to evaluate the robustness of Nestle India limited. The performance of an Organization should be analysed by using various

important techniques analysing the financial statements which is based on various cash basis. Organization performance may be affected due to effect on profitability and less efficiency. Return on equity is vital financial tool where it plays a key role in identifying all kinds of above mentioned reasons which affects the financial performance of an organization. An Proper measures could be taken to solve financial hindrances and financial concert. It can Be improved, hence the relevance of the study taken.

3. OBJECTIVES OF THE STUDY

- To analyse the liquidity position of Nestle India Ltd.
- To study the financial position of nestle ltd company by using profitability and activity ratios.
- To evaluate the financial position of the Company.



4. RESEARCH METHODOLOGY

SOURCE OF DATA	SECONDARY DATA
PERIOD OF STUDY	2015-2016 TO 2019-2020
FRAMEWORK ANALYSIS	FINANCIAL STATEMENTS
TOOLS AND TECHNIQUES	PROFITABILITY RATIOS, LIQUIDITY RATIOS, ACTIVITY RATIOS.

5. STATISTICAL TOOLS

Accounting and financial tools like Ratios have been used for Analysis of data.

RATIO ANALYSIS

- Profitability ratios
- Liquidity ratios
- Activity ratios

6. REVIEW OF LITERATURE

LARA FADEL ALKADMANI, HAITHAM NOBANE (2020) is the study entitled that assessment of financial performance of NESTLE and soundness is critical to any company. The data is obtained from the company financial statements during 4 years. Nestle has a strong position in its liquidity and profitability. It has performed better and has improved in their financial management, reducing their debtor's collections period and managed their investment in total assets concerning their sales.

DR. M.YASODHA, P. PRIYADHARSHINI (2019) used for comparing a firm's financial

performance with the averages. It focuses on determining the efficiency and solvency of Nestle India Ltd and the entity's ability to pay its long-term debts. The study conducted is based on the secondary data and it covers two years of period. Nestle India Ltd must reduce their outside liabilities or they must increase the share capital. The outside liabilities are more as compared to share capital which is not a good capital structure.

MS. KOMAL KAKADE, DR. SWARNALATA PHILIP (2018) is the fundamental analysis is an important tool for and the investor for making his buy or to sell decisions based on the detailed analysis of the financial statements of the company. Fundamental analysis of NESTLE India covered operating analysis profit margin, net profit margin earning per share, dividend per share and intrinsic values. The study is based on data obtained from the annual reports of the company. A period of five years to adopt to draw the meaningful inferences. The company analysis brings out the strengths and weakness of the company.

7. TABLE

Year	Current Ratio	Liquid Ratio	Cash Position Ratio	Net Profit Ratio %	Return On Assets Ratio %	Total Assets Turnover Ratio %
2015-2016	2.0	1.4	1.31	9.85	13.61	138.07
2016-2017	2.63	2.0	1.90	12.0	16.64	138.35
2017-2018	2.57	2.0	1.90	13.9	19.86	142.81
2018-2019	1.78	1.1	1.07	15.6	27.90	178.73
2019-2020	1.68	1.1	1	15.43	26.36	170.83

- During the year 2016-2017 the firm achieves the current ratio of 2.63 and the lowest ratio in the year 2019-2020 was 1.68. The current ratio randomly decreasing after 2016-2017. Current ratio of 2: 1 is satisfactory and the current ratio is not satisfied.
- The liquid ratio was increased in the years 2017, 2018 with the ratio of 2.0 and the lowest ratio is in the years 2019, 2020 was 1.1. The liquid ratio satisfied.
- During the year 2017, 2018 the firm achieves the cash position ratio of 1.90 and the lowest ratio in the year 2019-2020 was 1. The satisfactory level is 0.75:1 and it is not satisfied.
- The net profit ratio was increased in the year 2020 with the ratio of 15.43 and it decreased in the year 2015-2016 with the ratio of 9.85
- The return on assets ratio was increased in the year 2018-2019 with the ratio of 27.90 and it decreased in the next year 2019-2020 with the ratio of 26.36.
- Total assets turnover ratio is higher with the ratio of 178.73 during the year 2018-2019 and lowest ratio is 138.07 during the year 2015-2016. It shows that it is not efficiently using its assets to generate the sales.



8. SUGGESTIONS

- As the current ratio is below the ideal ratio, The company can maintain adequate current assets and liquid assets to meet its short term obligation and maintain a good amount of liquidity throughout the year .It can hold up more fund in current assets.
- As cash position ratio is less than ideal ratio , the company needs more cash to pay off debts. Cash position is usually analysed through liquidity ratios. This measures the ability of an organization to cover its short term obligations.
- The company has the ability to repay its short term liabilities. Business can meet obligation with available fund. But at the same time the company should maintain liquidity to prescribed standard norms.
- The company's net profit ratio is satisfactory because it is in increasing trend.
- The company has over invested in assets, so the company has to increase net income and to decrease the investment of total assets. The efficiency in using current assets could keep them generate additional income

9. CONCLUSION

Financial performance analysis is used to know the financial performance of the concern. This study is conducted to evaluate the financial performance analysis of NESTLE INDIA LTD for a period of five years. The central focus of the study is to conduct an evaluate study of the financial state of the firm by using ratio investigation and financial statements by taking into accounts the past five years of the company's financial statements. The current and liquid ratio indicates the short term financial position of the nestle India ltd. As in the case of cash position ratio, since it is low it has to pay off the short term debt. The company's financial performance has strong position in profitability of the five years is analysed and it is proved that company is financially sound.

10. REFERENCE

1. **LARA FADEL ALKADMANI, HAITHAM NOBANE (2020)** "A study on financial ratio analysis of nestle" July 2020
2. **DR. M.YASODHA, P. PRIYADHARSHINI (2019)** A Comparative study on Nestle india ltd and Britannia industries limited, International journal of economics , commerce and research (IJECR) ISSN (P) 2250-0006, Volume 9, Issue 1, Jun 2019.
3. **SHARMILA.P (2019)** A Study on financial performance of Hindustan Unilever Ltd , Cikitusi journal for multidisciplinary research, ISSN 0975-6876, Volume 6, Issue 4, April 2019

4. **DR. VADIVEL, K.SATYA BHAMA (2019)**A Study on financial analysis of Ultra Tech Cement Ltd , International journal of science and research, Volume 8, Issue 7, July 2019, www.ijsr.net
5. **MS. KOMAL KAKADE, DR. SWARNALATA PHILIP (2018)** A study on fundamental analysis of nestle India ltd, Journal of emerging technologies and innovation research(JETIR), ISSN 2349-5162, Volume 5, Issue 10, OCTOBER 2018
6. **Dr. S VIJAYALAKSHMI, VIDHYALAKSHMI S ,VEDHANAYAKI G (2017)** A Study on liquidity and sustainability growth of wipro ltd, International Journal of applied research, Volume 3, Issue 3, 2017
7. **HARENDRA SINGH, DR. ANIL VASANTH (2017)** "A comparative study on financial performance of nestle and Britannia" International journal of academic research and development ISSN:2455-4197 ,www.academicjournal.com ,VOLUME: 2 ,ISSUE : 6.
8. **NEHA SALUJA, VANI MAHAJAN (2017)** A Profitability , Efficiency and risk analysis of nestle India ltd, International journal of technical research(ITJR) , ISSN 2278-5787,Volume 6, Issue 1, March –April 2017

WEBSITES

1. <https://en.m.wikipedia.org/wiki/nestl%C3%A9-India>
2. <https://wap.business-standard.com/company/nestle-india-175/information/company-history>
3. <https://www.moneycontrol.com/financials/nestleindia/balance-sheetVI/NI>
4. <https://www.nestle.in/aboutus>