

Financial Performance Analysis: A Study Of Nestle India Limited

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Abstract

Financial analysis is the process of identifying the strength and weakness of the company. The purpose of analyzing financial statements is to evaluate a company's historical performance and present financial situation and to forecast its future performance. The study's goal is to use ratios to analyze Nestle India Limited's financial positions of the business. It is founded on secondary data derived from journals, books, and the CMIE. In this study, methods such as the current ratio, net profit ratio, total assets turnover ratio, and other ratios are used. To produce greater money, the organization must raise net income while decreasing total asset investment. The financial performance of the firm has a strong position in profitability.

Keywords: Current Ratios, Profitability, Financial Analysis, Financial Performance.

INTRODUCTION

Financial management is critical since finance is the foundation of all managerial activities. The purpose of financial statement analysis is to evaluate historical performance and current financial status. It is the process of determining the firm's financial strengths and weaknesses. It is possible to do this by creating linkages between the elements of financial statements, namely the balance sheet and the profit and loss account. Financial performance comprises financial data analysis and interpretation. Calculate ratios using financial statement data to analyze financial data. The goal of interpretation, which comes after financial statement analysis, is to try to form a logical conclusion about the business's condition and progress based on the analysis.

STATEMENT OF THE PROBLEM

The main objective of Nestle India Limited's resilience. The performance of an organization should be evaluated using a variety of methods.

Important strategies for assessing financial accounts based on diverse monetary bases. Organizational performance may suffer as a result of the impact on profitability and efficiency. Return on equity is an important financial instrument that helps to detect all of the above-mentioned factors that impact an organization's financial success. Proper actions might be used to resolve financial difficulties and financial confluence. It can be improved, which is why the study was conducted.

RESEARCH METHODOLOGY

In this analytical research study we have to considers the following terms in the nature of the research.

SOURCE OF DATA	Secondary Data
PERIOD OF STUDY	2015-16 TO 2019-20
FRAMEWORK ANALYSIS	Financial Statements
TOOLS ANDTECHNIQUES	Profitability Ratios, LiquidityRatios, Activity Ratios.

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OBJECTIVE OF THE STUDY

- To analyze the liquidity position of Nestle India Limited.
- To study the financial position of nestle Limited company by using profitability and activity ratios.
- To evaluate the financial position of the Company.
- To analyze the Profitability of the Company.

REVIEW OF LITERATURE

(1). **LARA FADEL ALKADMANI, HAITHAM NOBANE (2020)** is the research titled that evaluating NESTLE's financial performance and soundness is vital to any organization. The information is derived from the company's financial statements during a four-year period. Nestle is well-positioned in terms of liquidity and profitability. It has done better and improved in their financial management, minimizing their debtor's collections duration and managing their overall asset investment in relation to their sales.

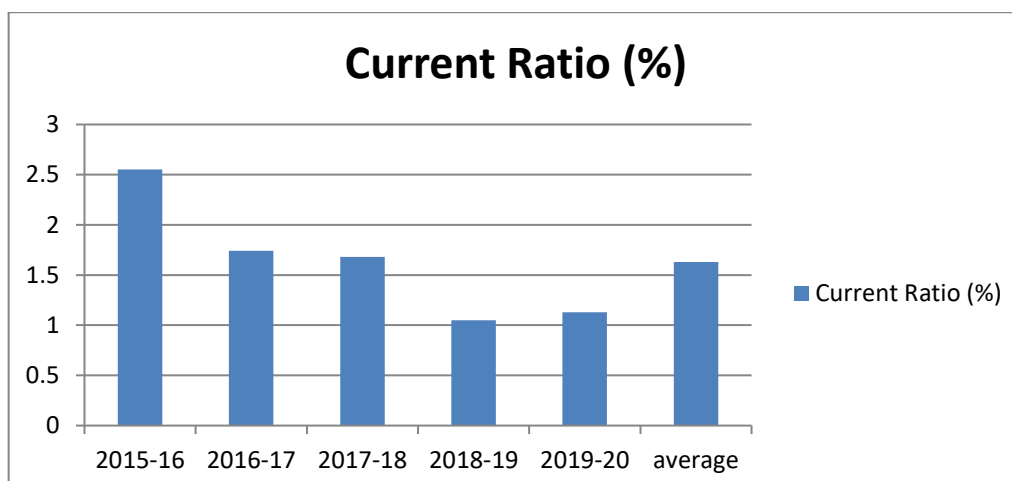
(2). **DR. YASODHA P. PRIYADHARSHINI (2019)** Used to compare a company's financial performance with averages. It focuses on Nestle India limited's efficiency and solvency of the business. The study based on two years period and based on secondary data.

(3). **MS. KOMAL KAKADE, DR. SWARNALTA PHILIP (2018)** The fundamental analysis is an important tool for and the investor to make purchase or sell choices based on a careful review of the company's financial statements. NESTLE India's fundamental study included operating analysis, profit margin, net profit margin, earnings per share, dividend per share, and intrinsic values. The analysis is based on information acquired from the company's annual reports. A five-year span is required to derive meaningful conclusions. The company analysis identifies the company's strengths and weaknesses.

FINANCIAL PERFORMANCE ANALYSIS

(1). Current Ratios :

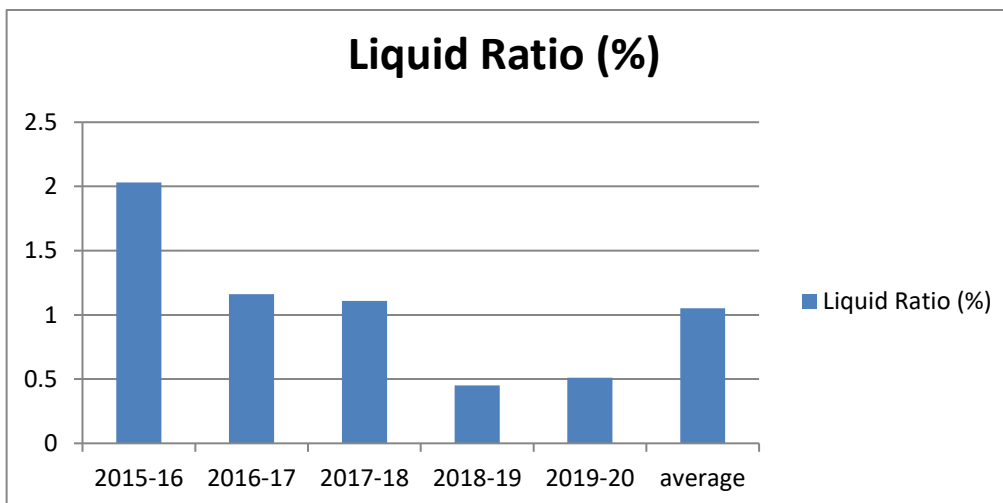
Year	Current Ratio (%)
2015-16	2.55
2016-17	1.74
2017-18	1.68
2018-19	1.05
2019-20	1.13
Average	1.63



According to the above table, the current ratio of the year 2015-16 to 2019-20 is the highest of 2015-16 at 2.55. And the lowest for the year 2018-19 is 1.05.

(2). Liquid Ratio:

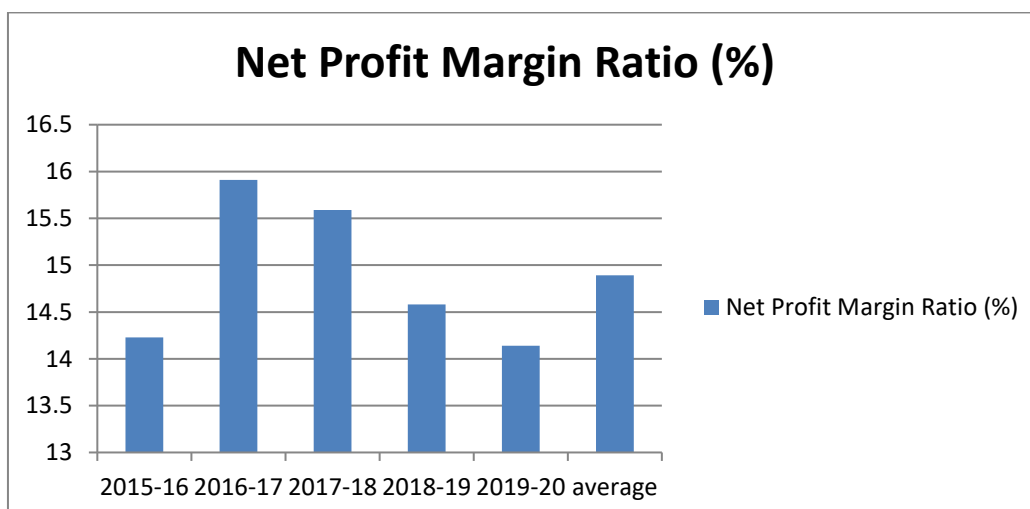
Year	Liquid Ratio (%)
2015-16	2.03
2016-17	1.16
2017-18	1.11
2018-19	0.45
2019-20	0.51
Average	1.052



According to the above table, the Liquid ratio of the year 2015-16 to 2019-20 is the highest of 2015-16 at 2.03 . And the lowest for the year 2018-19 is 0.45.

(3). Net Profit Margin Ratio :

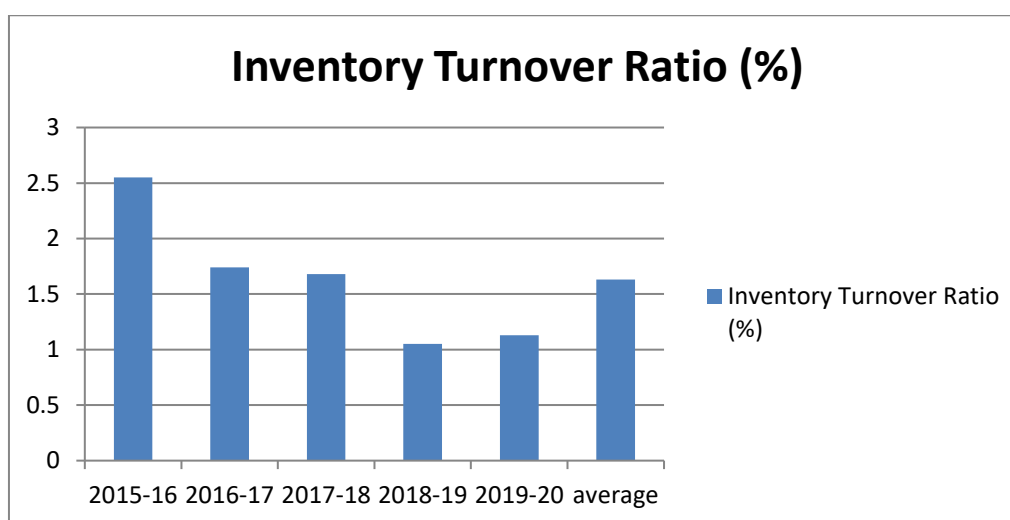
Year	Net Profit Margin Ratio (%)
2015-16	14.23
2016-17	15.91
2017-18	15.59
2018-19	14.58
2019-20	14.14
Average	14.89



According to the above table, the Net Profit Margin ratio of the year 2015-20 to 2019-20 is the highest of 2016-17 is 15.91 . And the lowest for the year 2019-20 is 14.14.

(4). Inventory Turnover Ratio :

Year	Inventory Turnover Ratio (%)
2015-16	2.55
2016-17	1.74
2017-18	1.68
2018-19	1.05
2019-20	1.13
Average	1.63



According to the above table, the Inventory Turnover ratio of the year 2015-16 to 2019-20 is the highest of 2015-16 at 2.55. And the lowest for the year 2018-19 is 1.05.

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.
- 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.

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 analyzed and it is proved that company is financially sound.

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