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A Study on Comparative Financial Analysis of ITC, HUL, NESTLE Limited

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Abstract:

This study focuses on the comparative analysis of the financial performance of ITC Limited with other leading FMCG companies such as Hindustan Unilever Limited and Nestlé India. The main objective of the study is to evaluate and compare the financial strength, profitability, liquidity, solvency, and efficiency of these companies over a period of five years.

The study is based on secondary data collected from annual reports, financial statements, and reliable online sources. Various financial tools such as ratio analysis, trend analysis, and comparative analysis have been used to interpret the data. Key financial ratios including current ratio, net profit ratio, return on equity, debt-equity ratio, and asset turnover ratio are analysed to assess the performance of the selected companies. The findings of the study reveal that ITC Limited has a strong financial position with high profitability, strong liquidity, and low financial risk. However, the company faces challenges in terms of operational efficiency when compared to its competitors. On the other hand, Hindustan Unilever Limited and Nestlé India demonstrate better efficiency and strong market presence in the FMCG sector.

The study concludes that while ITC Limited is financially stable and shows consistent growth, it needs to focus more on improving efficiency and expanding its FMCG segment to enhance its competitive position. The study provides useful insights for investors, management, and researchers in understanding the financial performance of leading FMCG companies.

Keywords: Financial Performance, Comparative Analysis, Ratio Analysis, Liquidity, Profitability, Solvency, Efficiency, FMCG Industry, ITC Limited, Hindustan Unilever Limited, Nestlé India, Financial Ratios, Trend Analysis, Financial Statements.

Introduction:

Financial performance analysis is an essential tool for evaluating the efficiency, profitability, and overall financial health of a company. It helps stakeholders such as investors, management, and researchers to understand how effectively a company is utilizing its resources and generating returns. In today's competitive business environment, comparative financial analysis plays a significant role in assessing the relative position of a company within its industry. This study focuses on the comparative financial performance of ITC Limited, one of India's leading diversified companies. Over the years, ITC has expanded its operations across various sectors such as FMCG, cigarettes, hotels, paperboards, and agri-business. The company is known for its strong financial performance, wide product portfolio, and extensive distribution network.

To better understand ITC's performance, this study compares it with other major FMCG players like Hindustan Unilever Limited and

Nestlé India. These companies are well-established in the FMCG sector and serve as strong benchmarks for comparison. The analysis is carried out using financial ratios such as liquidity ratios, profitability ratios, solvency ratios, and efficiency ratios over a period of five years. The purpose of this study is to evaluate the strengths and weaknesses of ITC Limited in comparison with its competitors and to understand its financial position in the industry. The study also aims to provide insights into the company's growth trends, operational efficiency, and risk profile. Overall, this analysis helps in drawing meaningful conclusions about the financial performance and competitive position of ITC Limited in the FMCG sector.

Problem Statement:

In today's highly competitive FMCG sector, evaluating the financial performance of companies has become essential for understanding their efficiency, profitability, and overall stability. Companies like ITC Limited operate in a dynamic business environment where they face intense competition from established players such as Hindustan Unilever Limited and Nestlé India. Despite ITC's strong presence and diversified operations, there is a need to analyze whether it is performing equally well across all financial parameters when compared to its competitors.

The problem lies in identifying the strengths and weaknesses of ITC Limited in terms of liquidity, profitability, solvency, and efficiency. While ITC shows strong financial stability and profitability, it may lag behind in certain areas such as operational efficiency and asset utilization. Therefore, this study aims to conduct a comparative financial analysis to evaluate the performance of ITC Limited and understand its position in the FMCG industry, thereby helping stakeholders make informed decisions.

Review of Literature:

The review of literature provides a basic understanding of previous research related to financial performance analysis. It involves the study of earlier research articles, journals, and publications to understand the concepts, tools, and methods used in analyzing financial data. In this study, the literature focuses on financial performance analysis of companies like ITC Limited and other FMCG firms such as Hindustan Unilever Limited and Nestlé India. It highlights the importance of financial ratios such as liquidity, profitability, solvency, and efficiency ratios in evaluating the financial health of companies. It also emphasizes the role of comparative analysis in understanding the competitive position of firms. The review helps in identifying key findings from previous studies and provides a foundation for the current research. It supports the analysis and interpretation of financial data and helps in drawing meaningful conclusions about the performance of the selected companies.

Objectives of The Study:

1. To analyze the financial performance of ITC Limited using various financial ratios.
2. To compare the financial performance of ITC Limited with Hindustan Unilever Limited and Nestlé India.
3. To evaluate the profitability, liquidity, solvency, and efficiency of the selected companies.
4. To identify the strengths and weaknesses of ITC Limited in comparison with its competitors.
5. To provide suggestions for improving the financial performance of ITC Limited.

Research Questions:

1. What is the financial performance of ITC Limited in terms of profitability, liquidity, solvency, and efficiency?

2. How does ITC Limited compare with Hindustan Unilever Limited and Nestlé India in financial performance?
3. What are the strengths and weaknesses of ITC Limited based on financial analysis?

Research Method:

Research methodology refers to the systematic process used to collect, analyze, and interpret data for the study. It provides a clear framework for conducting the research in a logical and organized manner.

Research Design:

The study is based on a descriptive research design, as it focuses on analyzing and comparing the financial performance of ITC Limited with its competitors.

Nature of Data:

The study is based on secondary data, which is collected from published sources.

Sources of Data:

- Annual reports of ITC Limited
- Annual reports of Hindustan Unilever Limited
- Annual reports of Nestlé India

Period of Study:

The study covers a period of five years (2021–2025).

Tools for Analysis:

The following tools are used for analysis:

- Ratio Analysis
- Trend Analysis
- Comparative Analysis

Sampling Technique:

The study uses a convenience sampling method, selecting companies based on availability of data and relevance to the FMCG sector.

Scope of the Study:

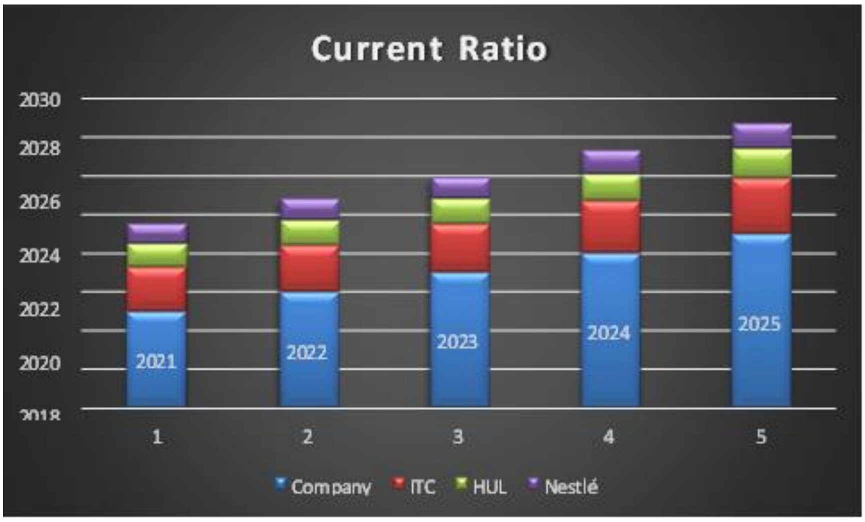
The study is limited to analyzing the financial performance of selected FMCG companies using financial ratios.

Data Analysis:

Table 1: Current Ratio (Liquidity Analysis)

Company	2021	2022	2023	2024	2025
ITC	2.3	2.4	2.5	2.7	2.9
HUL	1.2	1.3	1.3	1.4	1.5
Nestlé	1.0	1.1	1.1	1.2	1.3

Graph 1: Bar Chart showing



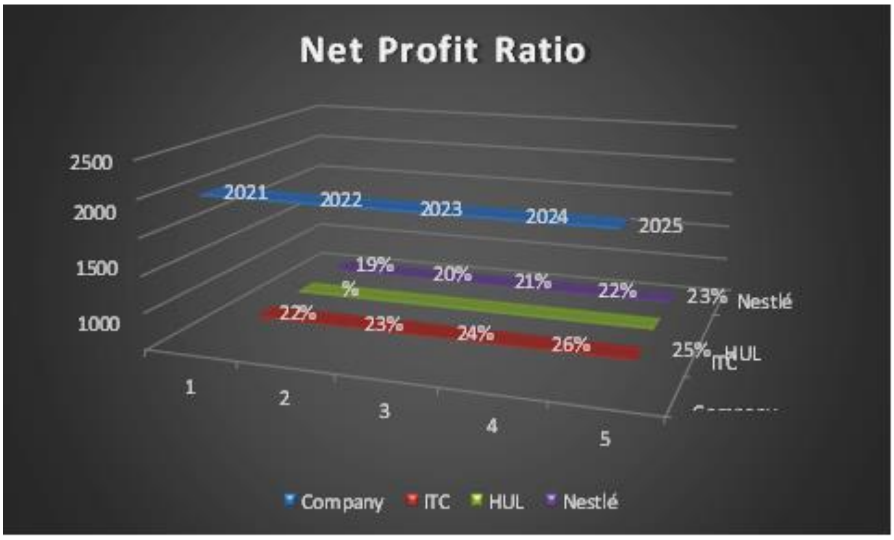
Interpretation:

ITC Limited maintains a consistently higher current ratio throughout the five-year period, indicating strong liquidity and ability to meet short-term obligations. Hindustan Unilever Limited and Nestlé India show moderate ratios, reflecting efficient but tighter working capital management. Overall, ITC is financially more secure in terms of liquidity.

Table 2: Net Profit Ratio (Profitability Analysis)

Company	2021	2022	2023	2024	2025
ITC	22%	23%	24%	26%	28%
HUL	21%	22%	23%	24%	25%
Nestlé	19%	20%	21%	22%	23%

Graph 2: Bar Chart showing



Interpretation:

ITC Limited shows a steady increase in net profit ratio, indicating strong profitability and effective cost management. Hindustan Unilever Limited and Nestlé India also show consistent growth but remain slightly lower than ITC. This indicates that ITC has a stronger profit-generating capacity over the years.

Findings:

- TC Limited shows a strong liquidity position with consistently higher current and quick ratios.
- The company demonstrates higher profitability compared to its competitors, especially in terms of net profit and operating margins.
- ITC maintains a very low debt-equity ratio, indicating low financial risk and strong financial stability.

Suggestions:

- ITC Limited should improve its asset utilization efficiency to increase sales generated from its assets.
- The company needs to enhance inventory management practices to improve inventory turnover and reduce storage costs.

- ITC should focus on better debtors management to ensure quicker collection of receivables.

Conclusion:

The study on the comparative financial performance of ITC Limited reveals that the company holds a strong financial position in the FMCG industry. It demonstrates high profitability, strong liquidity, and low financial risk due to minimal dependence on external debt. The company has also shown consistent growth in sales and profits over the five-year period, indicating stable and sustainable performance.

However, when compared with competitors like Hindustan Unilever Limited and Nestlé India, ITC faces challenges in terms of operational efficiency and asset utilization. Despite these limitations, ITC is steadily improving its FMCG segment and expanding its market presence. Overall, the study concludes that ITC Limited is financially strong but needs to focus on efficiency and strategic growth to enhance its competitive position in the industry.

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