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Review NJPMRS

Comparative Ratio Analysis of Bambino Agro Industries Ltd. and Nestle India Ltd.

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Abstract

This research report aims to find the best FMCG company out of the two most famous companies in the FMCG sector, i.e., Bambino Agro Industries Ltd and Nestle India Ltd. This can be achieved by comparing the financial performance of both companies over the last four years. The term "analysis of financial statements" or "financial performance" refers to the process of going over and evaluating a company's financial accounts in order to make better financial decisions, or, the process of identifying an entity's financial strengths and weaknesses by strategically relating the components of the balance sheet, profit and loss account, and other financial statements. The objective of the study is to understand the concept of ratio analysis through the evaluation of liquidity, profitability, solvency, and activity turnover ratios. Therefore, this paper aims at understanding the concept of ratio analysis through comparing the financial performance of the most famous FMCG companies.

Keywords: Financial performance, financial statements, FMCG companies, liquidity, profitability

INTRODUCTION

Concept of Financial Statements

After the preparation of the trial balance by the company, the next step is the preparation of the financial statements which are made for a particular accounting period.

There are different financial statements which represent the actual financial position of a company like balance sheet, profit and loss account, cash flow statement, and others.

The process of analysing and interpreting a company's financial statements is known as financial performance. Therefore, it can be defined as the process of analyzing the opportunities and threats of an enterprise.

The main aim is to break the complex data into easy and understandable form to achieve the desired objective [1].

About Fast-moving Consumer Goods (FMCG) Sector

This refers to those types of consumer goods which are purchased for the ultimate consumption.

There are 3 types of consumer goods:

1. Durable goods
2. Non-durable goods
3. Services

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Concept of Ratio Analysis

Ratio analysis refers to the particular relationship of two numbers. It is particularly useful in figuring out the enterprise's overall efficiency and sustainability.

Classification of Ratios

Ratio may be divided into four categories as follows:

1. Liquidity ratios
2. Solvency ratios
3. Activity turnover ratios
4. Profitability ratios or income ratios

LITERATURE REVIEW

- Joshi AB, Dave A, Dave T, and Ramapati MS in 2020 conducted "A study on financial performance of Nestle India Ltd." They stated that the company has had sound financial performance and a strong profitability position during the last five years [2].
- According to Das S.'s 2019 report, "A comparative study on the financial performance of the FMCG sector" (with a focus on Nestle India and ITC Ltd.), the FMCG sector is developing at a phenomenal rate compared with other comparable industries. Throughout the research period, the financial health of both businesses was satisfactory [3].
- In his 2021 study, "A study on the performance analysis of Nestle India Ltd. with special reference to profitability, efficiency, and risk using DuPont analysis," Biju A found that the company lacked adequate cash management, which increased risks [4].

RESEARCH GAP

This research is being conducted for the first time in which the financial performance of Nestle India Ltd. and Bambino Agro Industries Ltd. has been compared on the basis of ratio analysis.

RESEARCH OBJECTIVES

- To understand the concept of liquidity, solvency, profitability, and activity turnover ratios through ratio analysis
- To assess Nestle India's financial performance during the previous four years
- To assess Bambino Agro Industries Ltd.'s financial performance over the previous four years
- To compare the financial performance of Nestle India and Bambino Agro Industries Ltd. over the course of the previous four years, through ratio analysis [5].

RESEARCH METHODOLOGY

A methodical approach to resolve the research challenge is referred to as research methodology (Figure 1).

Research Design

This study is based on an analytical research design. It refers to that type of research, which includes proper thinking and analytical skills. It also includes proper understanding and evaluation of the facts of the enterprise (Figure 2).

Sampling Design

Convenience sampling design is the sampling strategy used in the study. It is a sort of non-probability sampling when the sample is taken from a nearby portion of the population. Pilot testing benefits the most from this kind of sample. It is used by businesses and organisations to gauge how well they are perceived in the marketplace.

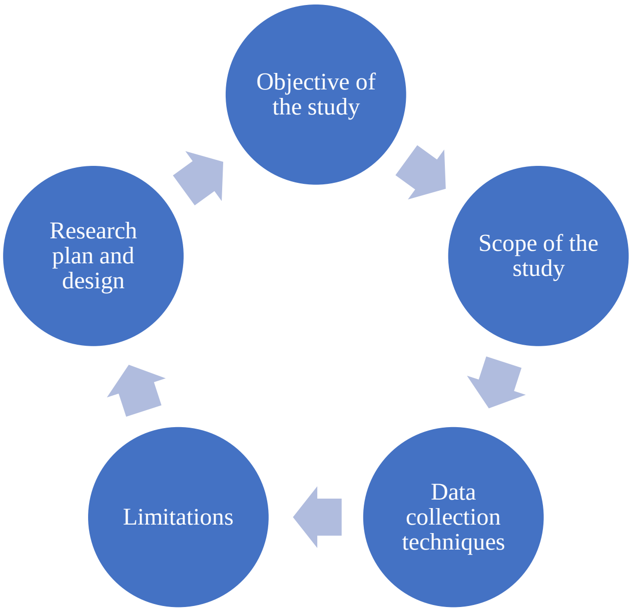

Figure 1. Research methodology steps.

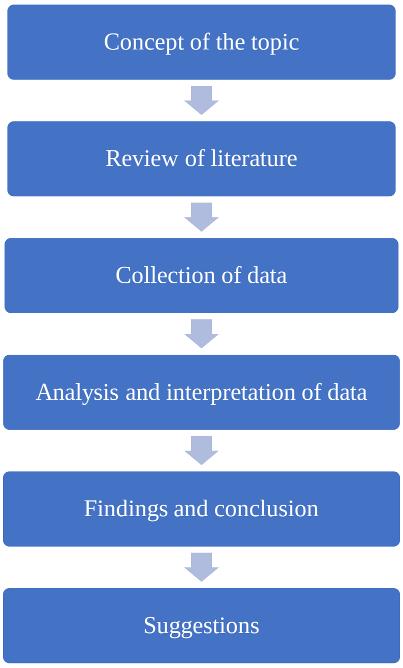

Figure 2. Research design steps.

Sample Size

The data is based on last 4 years financial statements of two FMCG companies, i.e., Bambino Agro Industries Ltd. and Nestle India and these two companies have been selected because of their position in the top companies list of the FMCG sector [6].

Data Collection

- Secondary data collection is used in this study to address the research issue.
- For data analysis and interpretation, companies' official financial statements are used.
- On the basis of these financial statements, the balance sheet and the statement of profit and loss are used to calculate the financial performance [7].

DATA ANALYSIS AND INTERPRETATION

- Ratio analysis of Nestle India Ltd. and Bambino Agro Industries Ltd. over the period of last four years
- Calculation and comparison of liquidity, solvency, profitability, and activity turnover ratios of Nestle India Ltd. and Bambino Agro Industries Ltd.

Comparison of Liquidity Ratios of Nestle India Ltd. and Bambino Agro Industries Ltd. [8]

Current Ratio Interpretation

- The current ratio of Nestle India is 1.74:1, which is less than the ideal ratio, i.e., 2:1.
- This indicates that the current liabilities of Nestle India are greater than its current assets (Table 1).
- Bambino Agro Industries Ltd.'s current ratio is 2.3:1, which is higher than the recommended ratio of 2:1.
- This shows that this company's current liabilities are lower than its current assets. Therefore, the company will be able to meet its short-term obligations (Table 2).
- Now, on comparing the current ratios of both the companies, it was found that the liquidity [9] position of Bambino Agro Industries Ltd. is better than that of Nestle India (Figure 3).

Table 1. Current ratio of Nestle India (in ₹ crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Liquidity ratios: *Current ratio = Current assets (CA)/Current liabilities (CL)*				
Current assets (CA)	4,736.95	3,817.17	4,185.08	2,738.76
Current liabilities (CL)	1,854.95	2,190.5	2,492.5	2,603.24
Current ratio	2.5	1.74	1.67	1.05

Table 2. Current ratio of Bambino Agro Industries Ltd. (in ₹ crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Liquidity ratios: *Current ratio = Current assets (CA)/Current liabilities (CL)*				
Current assets (CA)	106.83	106.09	115.83	100.01
Current liabilities (CL)	46.69	48.32	43.35	43.43
Current ratio	2.2	2.1	2.6	2.3

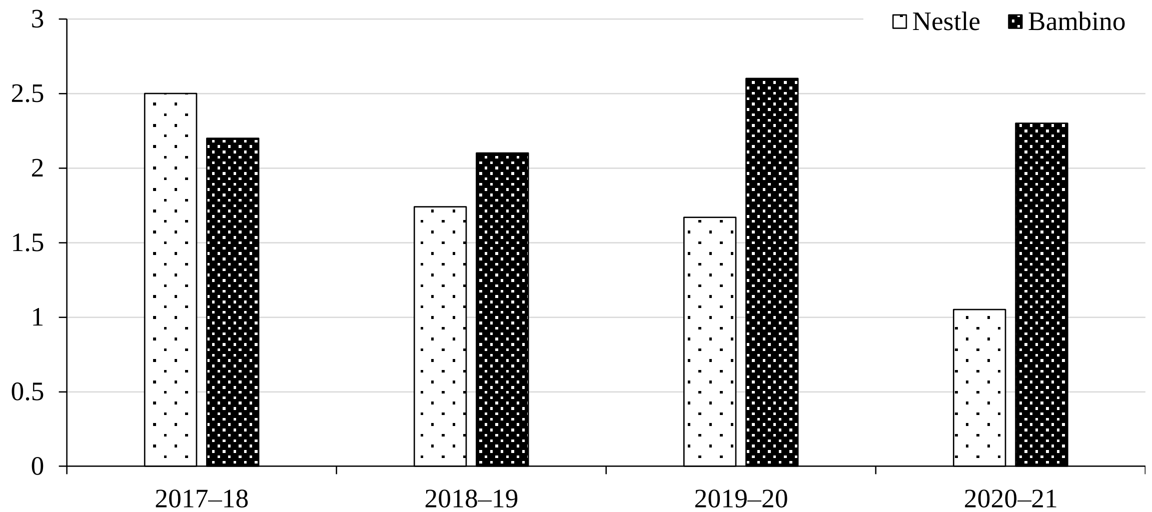

Figure 3. Graphical representation of current ratio of Bambino Agro Industries Ltd. and Nestle.

Liquid Ratio Interpretation

- The quick ratio of Nestle India is 1.17:1, which is higher than the ideal ratio, i.e., 1:1. This indicates that the current liabilities of Nestle India are lower than its liquid assets (Table 3). Therefore, the company is able to meet its short-term obligations (Table 4).
- Bambino Agro Industries Ltd.'s quick ratio was 0.52:1, which is below the optimal ratio of 1:1 (Table 5). This indicates that the current liabilities of this company are more than its liquid assets. As a result, the business would not be able to fulfil its immediate responsibilities (Table 6).
- Now, on comparing the liquid ratios of both the companies, it is found that the liquidity position of Bambino Agro Industries Ltd. is not better than Nestle India (Figure 4) [10].

Table 3. Liquid ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Liquid ratio = Liquid assets (LA)/Current liabilities (CL)				
Liquid assets (LA)	3,771.4	2,534.1	2,768.6	1.158.54
Current liabilities (CL)	1,854.95	2,190.5	2,492.5	2,603.24
Liquid ratio	2	1.15	1.1	0.44

Table 4. Working note (Table 3).

Particulars	2017–18	2018–19	2019–20	2020–21
Liquid assets	4,736.95–965.55 = 3,771.4	3,817.17–1,283.07 = 2,534.1	4,185.08–1,416.48 = 2,768.6	2,738.76–1,580.22 = 1,158.54

Table 5. Liquid ratio of Bambino Agro Industries Ltd. (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Liquid ratio = Liquid assets (LA)/Current liabilities (CL)				
Liquid assets (LA)	15.55	22.14	31	27.37
Current liabilities (CL)	46.69	48.32	43.35	43.43
Liquid ratio	0.33	0.45	0.7	0.63

Table 6. Working notes (Table 5).

Particulars	2017–18	2018–19	2019–20	2020–21
Liquid assets	106.83–91.28 = 15.55	106.09–83.95 = 22.14	115.86–84.86 = 31	100.01–72.64 = 27.37

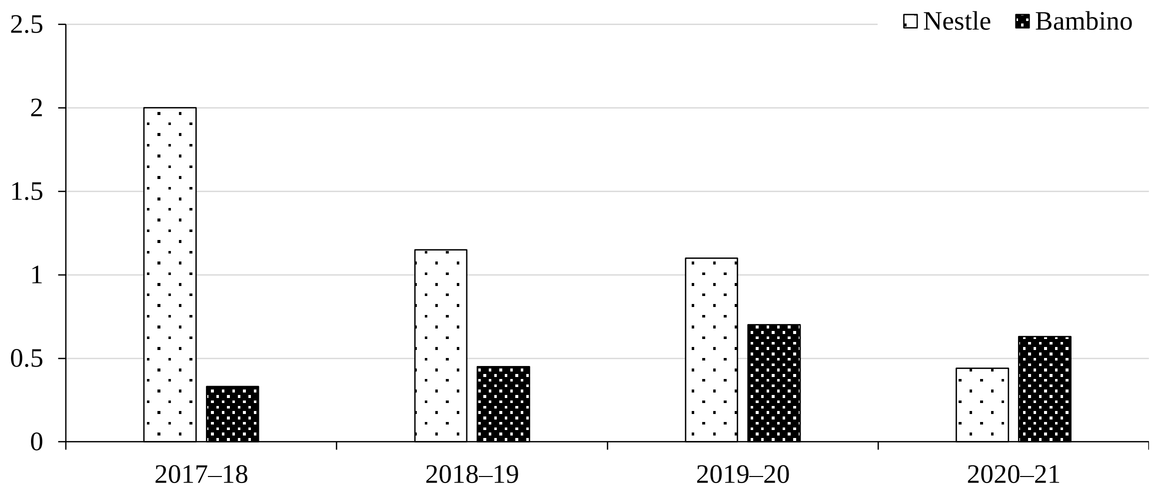

Figure 4. Graphical representation of liquid ratio of Bambino Agro Industries Ltd. and Nestle.

Comparison of Solvency Ratios of Nestle India and Bambino Agro Industries Ltd.

Debt to Equity Ratio Interpretation

Both businesses' debt to equity ratios fall short of optimum levels (Table 7).

This shows that both businesses are making better use of their resources and taking on less debt from the market (Table 8). On comparing debt to equity ratio of both the companies, the ratio of Nestle India is greater than that of Bambino Agro Industries Ltd (Table 9). It demonstrates that Nestle India is increasing the amount of capital it borrows from the market to finance its operations (Table 10) (Figure 5).

Table 7. Debt to equity ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Debt to equity ratio = Debt/equity				
Debt	2,500.06	2,150.05	3,317.99	3,312.01
Equity	3,673.74	1,1918.87	2,109.34	2,084.48
Debt to equity ratio	0.68	1.12	1.64	1.58

Table 8. Working notes (Table 7).

Particulars	2017–18	2018–19	2019–20	2020–21
Debt	35.14+2,464.92 = 2,500.06	53.14+2,096.91 = 2,150.05	31.72+3,286.27 = 3,317.99	27.47+3,284.54 = 3,312.01

Table 9. Debt to equity ratio of Bambino Agro Industries Ltd. (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Debt to equity ratio = Debt/equity				
Debt	52.11	46.39	58.16	61.15
Equity	50.58	53.98	60.75	68.09
Debt to equity ratio	1.03	0.85	0.95	0.89

Table 10. Working note (Table 9).

Particulars	2017–18	2018–19	2019–20	2020–21
Debt	51.43+ 0.68 = 52.11	45.94+ 0.45 = 46.39	57.57+ 0.59 = 58.16	60.52+ 0.63 = 61.15

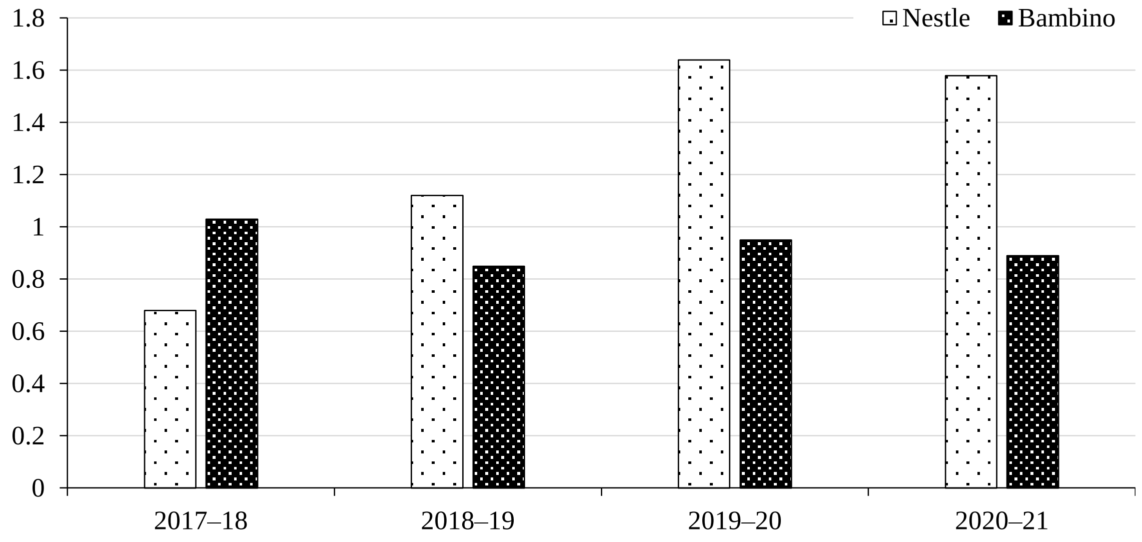

Figure 5. Graphical representation of Debt to equity ratio of Bambino Agro Industries Ltd. and Nestle.

Total Assets to Debt Ratio Interpretation

- The total assets to debt ratios of both the companies is higher than the ideal ratio. This shows the safety buffer that is available for the long-term debts of the company (Table 11).
- A higher ratio indicates greater security for long-term loan lenders. It also demonstrates how much a company's total assets cover its long-term debt (Table 12).
- On comparing the ratio of both the companies, Nestle India is lower than Bambino Agro Industries Ltd. which shows that Nestle India is more dependent on long-term borrowed funds (Figure 6).

Table 11. Total assets to debt ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Total assets to debt ratio = Total assets/Debt				
Total assets	8,088.08	7,712.94	4,185.08	8,209.93
Debt	2,500.06	2,150.05	3,317.99	3,312.01
Total assets to debt ratio	3.2	3.3	1.26	2.4

Table 12. Total assets to debt ratio of Bambino Agro Industries Ltd. (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Total assets to debt ratio = Total assets/Debt				
Total assets	155.25	154.58	168.16	178.35
Debt	52.11	46.39	58.16	61.15
Total assets to debt ratio	2.9	3.3	2.8	2.9

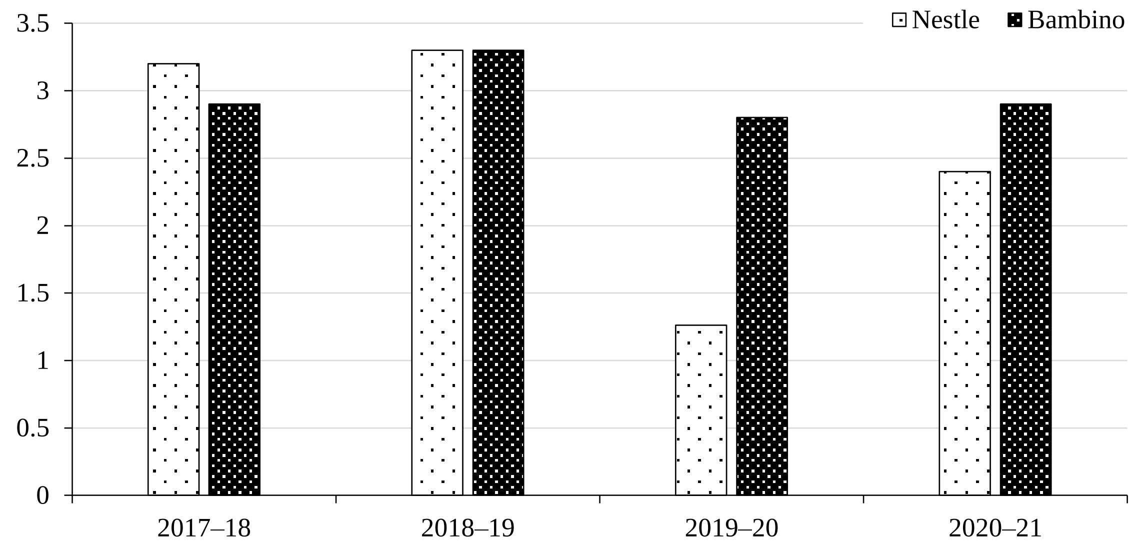

Figure 6. Graphical representation of total asset to debt ratio of Bambino Agro Industries Ltd. and Nestle.

Proprietary Ratio Interpretation

- The proprietary ratio of both companies is a little less than the ideal ratio (Table 13).
- This illustrates the company's reliance on debt funding to operate its business [11]. It also suggests that the creditors won't be interested in continuing to support such a business (Table 14).
- A comparison of the solvency ratios of both companies shows that they are almost the same (Figure 7).

Table 13. Proprietary ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Proprietary ratio = Shareholder's funds/Total assets				
Shareholder's funds	3,673.74	1,918.87	2,019.87	2,084.48
Total assets	8,088.08	7,172.94	4,185.08	8,209.93
Proprietary ratio	0.45	0.26	0.48	0.25

Table 14. Proprietary ratio of Bambino Agro Industries Ltd. (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Proprietary ratio = Shareholder's funds/Total assets				
Shareholder's funds	50.58	53.98	60.75	68.09
Total assets	155.25	154.58	168.16	178.35
Proprietary ratio	0.32	0.34	0.36	0.38

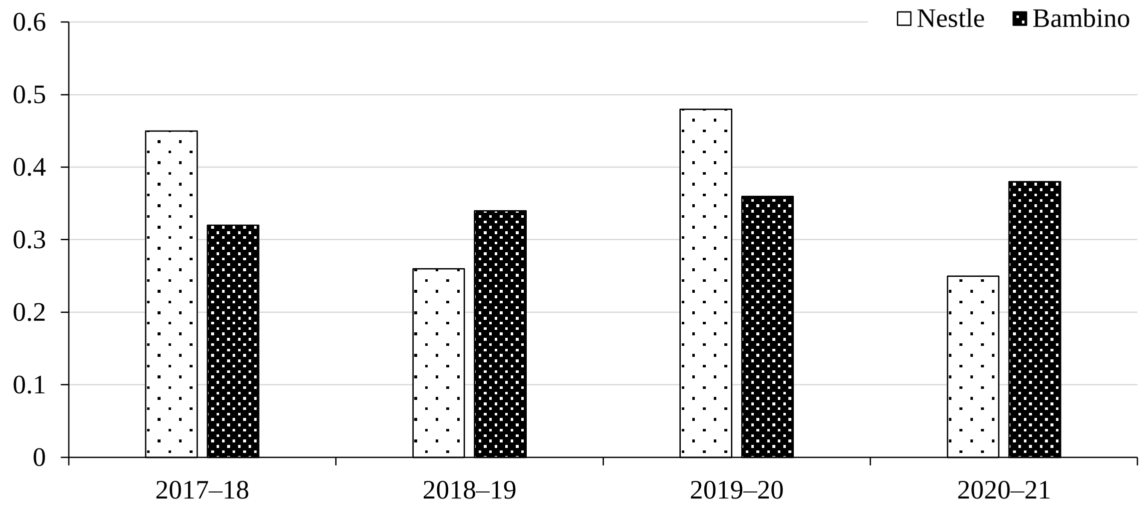

Figure 7. Graphical representation of proprietary ratio of Bambino Agro Industries Ltd. and Nestle.

Return on Equity Ratio Interpretation

- The better a corporation is at turning its equity financing into profits, the higher the ROE (Table 15).
- Therefore, Nestle India has a much greater ROE as compared to the other company which shows that it is more efficient in converting its equity financing into profits (Table 16) (Figure 8).

Table 15. Return on equity ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Return on equity ratio = PAT/Equity				
PAT	1,606.93	1,968.44	2,082.43	2,144.86
Equity	3,673.74	1,918.87	2,019.34	2,084.48
ROE ratio	0.43	1.02	1.03	1.02

Table 16. Return on equity ratio of Bambino Agro Industries Ltd. (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Return on equity ratio = PAT/equity				
PAT	3.83	4.95	8.32	8.62
Equity	50.58	53.98	60.75	68.09
ROE ratio	0.07	0.09	0.13	0.12

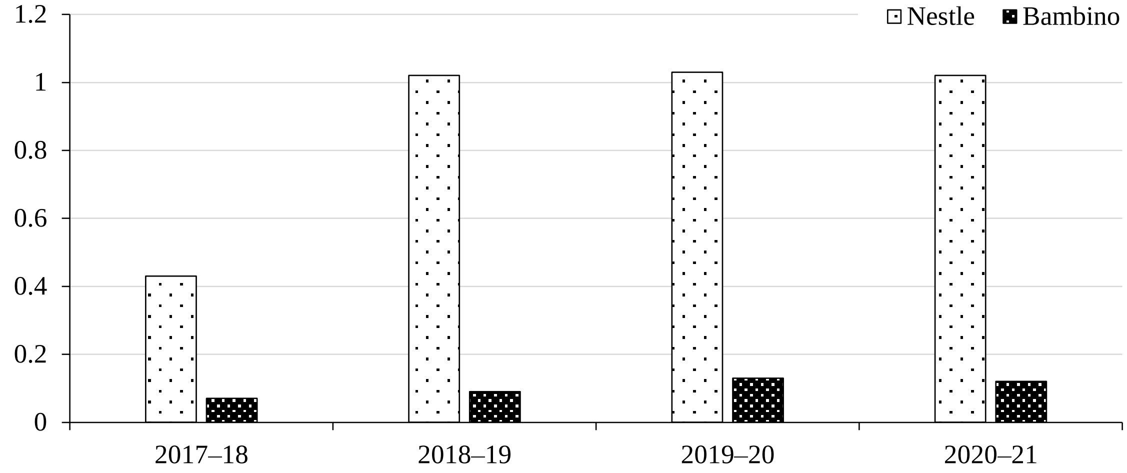

Figure 8. Graphical representation of ROE ratio of Bambino Agro Industries Ltd. and Nestle.

Comparison of Activity Turnover Ratios of Nestle India and Bambino Agro Industries Ltd.
Working Capital Turnover Ratio Interpretation

- The working capital turnover ratio assesses how well a company generates sales for each rupee of working capital used (Table 17).
- Both the companies have greater working capital turnover ratio as compared to the ideal ratio (Table 18).
- This indicates that both the companies are able to generate a large amount of sales (Table 19) which shows that these are more efficient in their operations and revenue generation (Table 20).
- It also demonstrates that management is making the best use possible of a company's [12] current assets and liabilities in order to increase sales (Figure 9).

Table 17. Working capital turnover ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Activity turnover ratios: *Working capital turnover ratio = Sales/Working capital*				
Sales	11,216.23	12,295.27	13,350.03	14,709.41
Working capital	2,882	1,626.67	1,692.58	135.52
Working capital turnover ratio	3.89	7.5	7.8	10.85

Table 18. Working notes (Table 17).

Particulars	2017–18	2018–19	2019–20	2020–21
Working capital	4,736.95– 1,854.95 = 2,882	3,817.17–2,190.5 = 1,626.67	4,185.08–2,492.5 = 1,692.58	2,738.76– 2,603.24 = 135.52

Table 19. Working capital turnover ratio of Bambino Agro Industries Ltd. (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Activity turnover ratios: *Working capital turnover ratio = Sales/working capital*				
Sales	168.08	247.75	246.55	277.38
Working capital	60.14	57.77	72.51	56.58
Working capital turnover ratio	2.8	4.2	3.40	4.90

Table 20. Working note (Table 19).

Particulars	2017–18	2018–19	2019–20	2020–21
Working capital	106.83–46.69 = 60.14	106.09–48.32 = 57.77	115.86–43.35 = 72.51	100.01–43.43 = 56.58

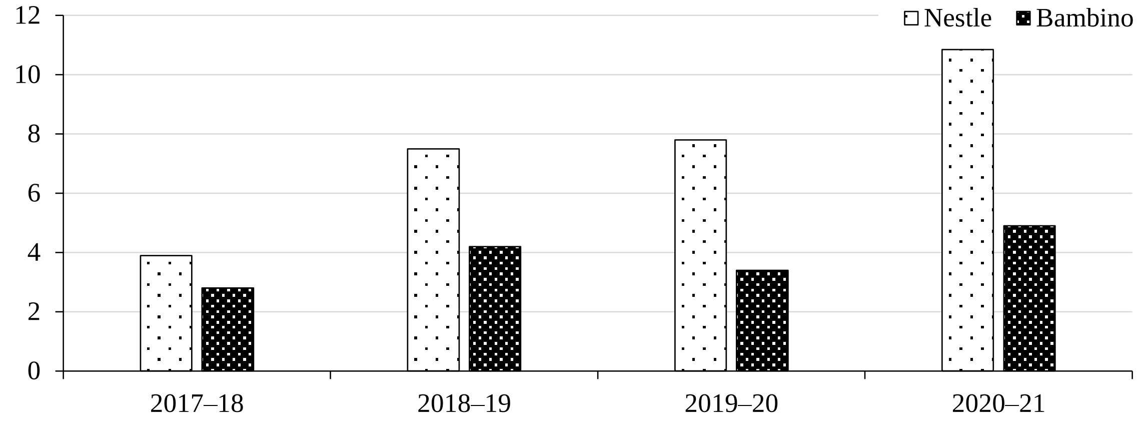

Figure 9. Graphical representation of working capital turnover ratio of Bambino Agro Industries Ltd. and Nestle.

Total Assets Turnover Ratio Interpretation

- The total assets turnover ratio of both the companies is less than the ideal ratio, i.e., 2.5 times or more (Table 21).
- This shows that both businesses are not effectively using their total assets to boost sales (Table 22).
- When comparing the two businesses' total assets turnover ratios, Nestlé India has a higher figure, which suggests a more effective use of assets (Figure 10).

Table 21. Total assets turnover ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Total assets turnover ratio = Sales/Total assets				
Sales	11,216.23	12,295.27	13,350.03	14,709.41
Total assets	4,736.95	3817.17	4,185.08	2,738.76
Total assets turnover ratio	2.36	3.22	3.18	5.37

Table 22. Total assets turnover ratio of Bambino Agro Industries Ltd.

Ratio	2017–18	2018–19	2019–20	2020–21
Total assets turnover ratio = Sales/Total assets				
Sales	168.08	247.75	246.55	277.38
Total assets	155.25	154.58	168.16	178.35
Total assets turnover ratio	1.08	1.60	1.46	1.5

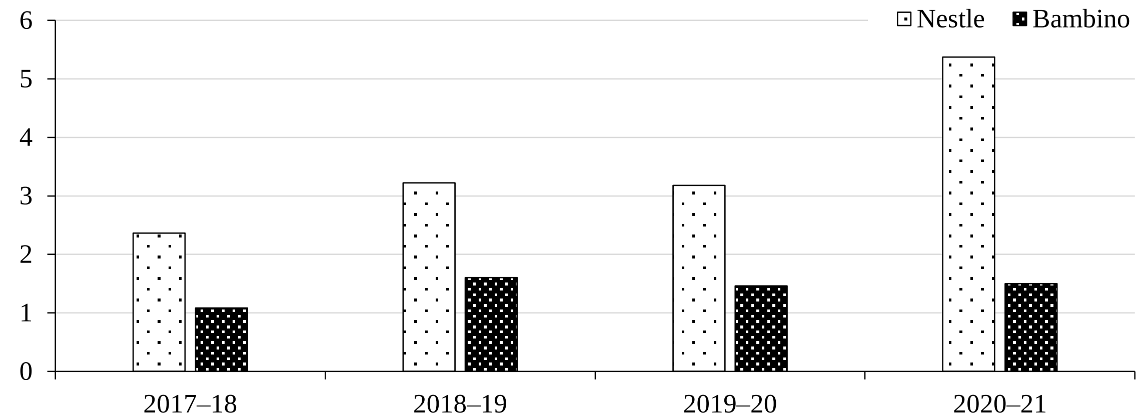

Figure 10. Graphical representation of total asset turnover ratio of Bambino Agro Industries Ltd. and Nestle.

Current Assets Turnover Ratio Interpretation

- The current assets turnover ratio of Nestle India is 3.53 times, which is higher than the ideal ratio 2.5 times. This indicates a more efficient use of current assets to produce sales (Table 23).
- While Bambino Agro Industries Ltd. has a lower ratio as compared to ideal ratio, i.e., 2.12 times < 2.5 times. Therefore, this firm is less efficient in using its current assets in order to produce more sales (Table 24).
- Hence, Nestle India has better current asset turnover position (Figure 11).

Table 23. Current assets turnover ratio of Nestle India (in ₹ Crores).

Ratio	2017–18	2018–19	2019–20	2020–21
Current assets turnover ratio = Sales/Current assets				
Sales	11,216.23	12,295.27	13,350.03	14,709.41
Current assets	4,736.95	3,817.17	4,185.08	2738.76
Current assets turnover ratio	2.36	3.22	3.18	5.37

Table 24. Current assets turnover ratio of Bambino Agro Industries Ltd.

Ratio	2017–18	2018–19	2019–20	2020–21
Current assets turnover ratio = Sales/Current assets				
Sales	168.08	247.75	246.55	277.38
Current assets	106.83	106.09	115.86	100.01
Current assets turnover ratio	1.57	2.3	2.1	2.7

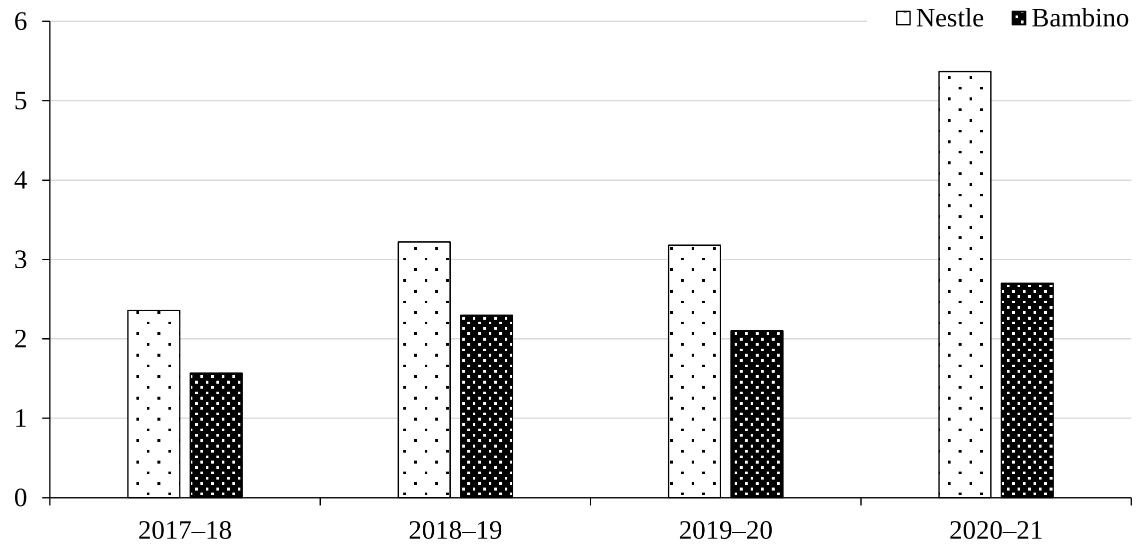

Figure 11. Graphical representation of current asset turnover ratio of Bambino Agro industries Ltd. and Nestle.

Comparison of Profitability Ratios of Nestle India and Bambino Agro Industries Ltd.

Gross Profit Ratio Interpretation

- The gross profit ratio of both the companies is very less than the ideal ratio (Table 25).
- This shows that the companies are not able to meet their operating expenses and not able to create sufficient reserves (Table 26).
- Now, on comparing the gross profit ratio of both the companies, the profitability position of Nestle India is much better than Bambino Agro Industries Ltd., i.e. 15% > 2.66% (Figure 12).

Table 25. Gross profit ratio of Nestle India.

Ratio	2017–18	2018–19	2019–20	2020–21
*Profitability ratios = Gross profit / Net sales * 100* *Gross profit ratio = Gross profit/ sales×100*				
Gross profit	1,606.93	1,968.44	2,082.43	2,144.86
Sales×100	11,216.23×100	12,295.27×100	13,350.03×100	14,709.41×100
Gross profit ratio	14.32%	16%	15.5%	14.58%

Table 26. Gross profit of Bambino Agro Industries Ltd.

Ratio	2017–18	2018–19	2019–20	2020–21
*Profitability ratios = Gross profit / Net sales * 100* *Gross profit ratio = Gross profit / sales×100*				
Gross profit	3.83	4.95	8.32	8.62
Sales×100	168.08×100	247.75×100	246.55×100	277.38×100
Gross profit ratio	2.2%	1.99%	3.3%	3.10%

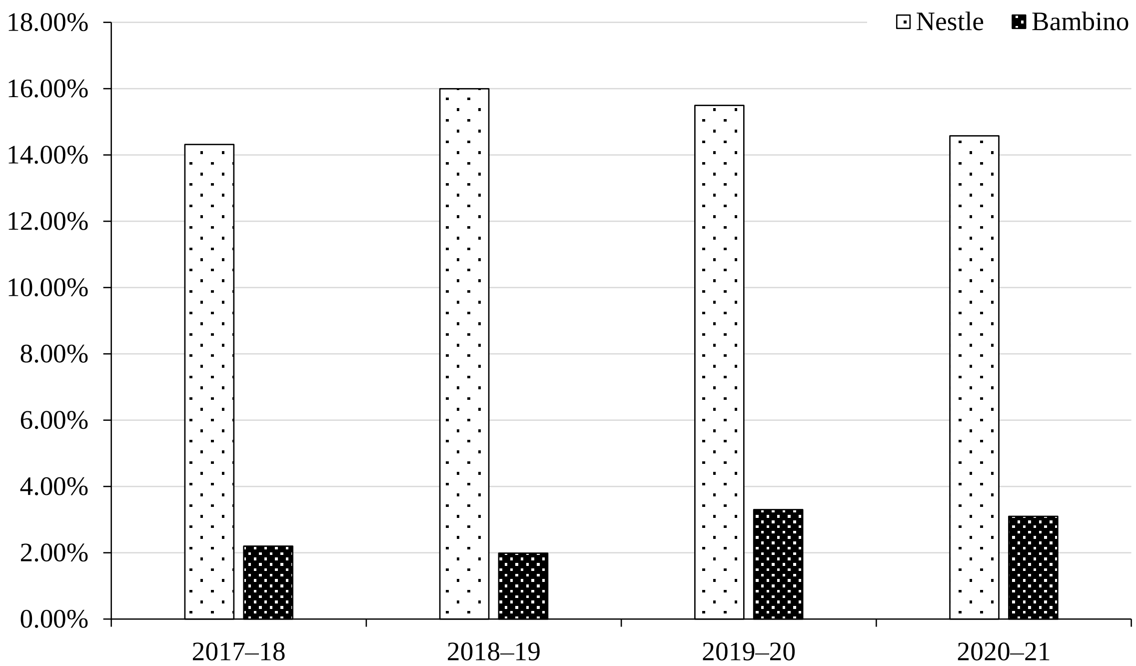

Figure 12. Graphical representation of gross profit ratio of Bambino Agro Industries Ltd. and Nestle.

Net Profit and Operating Profit Ratio Interpretation

- Nestlé India’s operating profit margin and net profit margin are 15.10% which is greater than the ideal percentage (10%) which shows that the operational efficiency of this company is better than the other company (Table 27).
- Whereas Bambino Agro Industries Ltd. is having 2.66% which is very less than the ideal percentage (10%) (Table 28).
- Therefore, Nestle India has good profitability position than Bambino Agro Industries Ltd. (Figure 13).

Table 27. Net profit and operating profit ratio of Nestle India.

Ratio	2017–18	2018–19	2019–20	2020–21
Net profit or operating profit ratio= Net profit/sales×100				
Net profit	1,606.93	1,968.44	2,082.43	2,144.86
Sales×100	11,216.23×100	12,295.27×100	13,350.03×100	14,709.41×100
Net profit ratio	14.32%	16%	15.5%	14.58%

Table 28. Net profit ratio and operating profit ratio of Bambino Agro Industries Ltd.

Ratio	2017–18	2018–19	2019–20	2020–21
Net profit or operating profit ratio = Net profit/sales×100				
Net profit	3.83	4.95	8.32	8.62
Sales	168.08×100	247.75×100	246.55×100	277.38×100
Net profit ratio	2.2%	1.99%	3.3%	3.10%

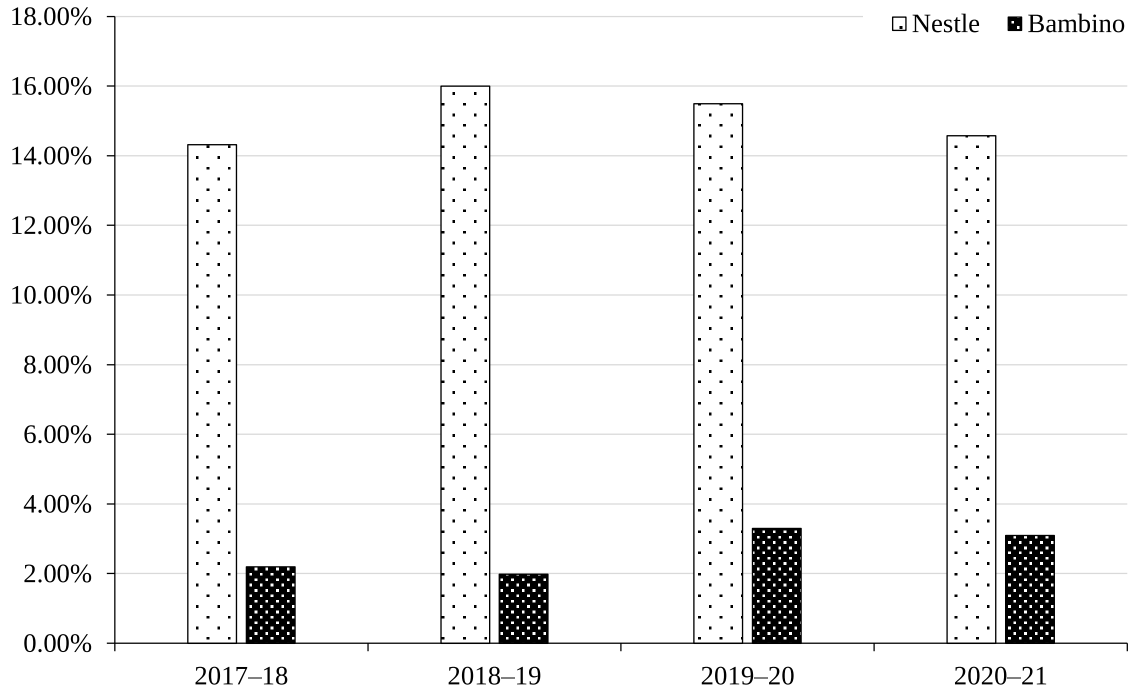

Figure 13. Graphical representation of net profit and operating profit ratio of Bambino Agro Industries Ltd. and Nestle.

Operating Ratio Interpretation

- The operating ratios of both companies are higher, i.e., 97.27% (Table 29) and 84.8% as compared to the ideal percentage (80%) (Table 30).
- This indicates that there is a decline in efficiency and a lower profit margin of both the companies because lower operating ratio is better than higher (Table 31).
- Now, on comparing the operating ratio of both the companies, the percentage of Bambino Agro Industries Ltd. is lower than the other firm (Table 32).
- Therefore, Bambino Agro Industries Ltd. is more efficient and has more profit margin than Nestle India (Figure 14).

Table 29. Operating ratio of Nestle India.

Ratio	2017–18	2018–19	2019–20	2020–21
Operating ratio = Cogs + operating expenses/sales×100				
COGS	9,609.3	10,326.83	11,267.6	12,564.55
Sales×100	11,216.23×100	12,295.27×100	13,350.03×100	14,709.41×100
Operating ratio	85.6%	83.9%	84.4%	85.41%

Table 30. Working note (Table 29).

Particulars	2017–18	2018–19	2019–20	2020–21
COGS (Cost of goods sold)	1,1216.23–1,606.93 = 9,609.3	12,295.27–1,968.44 = 10,326.83	13,350.03–2,082.43 = 11,267.6	14,709.41–2,144.86 = 12,564.55

Table 31. Operating ratio of Bambino Agro Industries Ltd.

Ratio	2017–18	2018–19	2019–20	2020–21
Operating ratio= COGS + Operating expenses/Sales×100				
COGS	164.25	242.8	238.23	268.75
Sales×100	168.08×100	247.75×100	246.55×100	277.38×100
Operating ratio	97.7%	98%	96.6%	96.8%

Table 32. Working note (Table 31).

Particulars	2017–18	2018–19	2019–20	2020–21
COGS (Cost of goods sold)	168.08–3.83= 164.25	247.75–4.95= 242.8	246.55–8.32= 238.23	277.38–8.62= 268.76

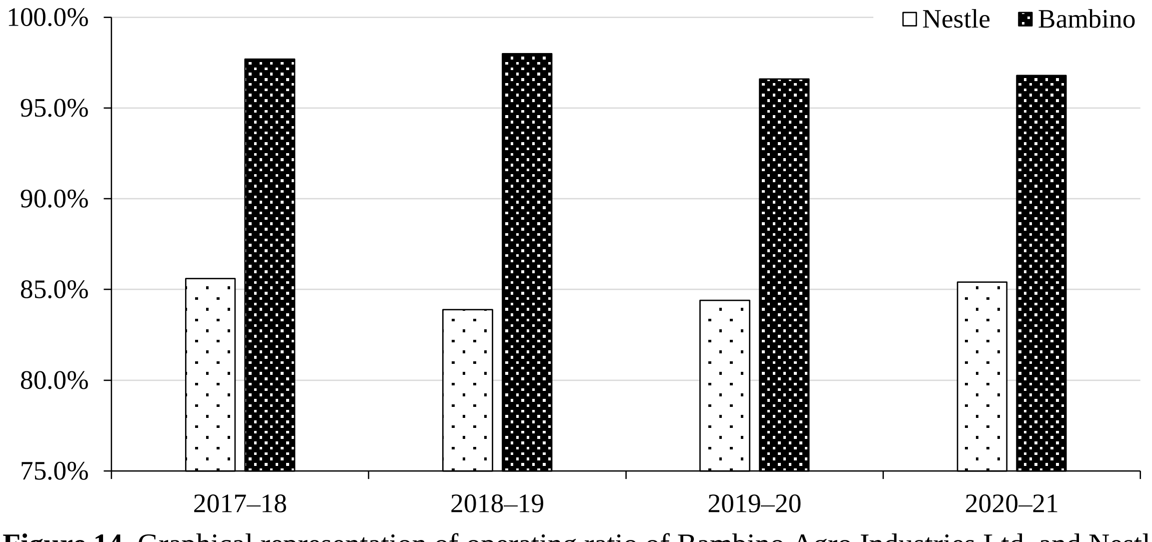

Figure 14. Graphical representation of operating ratio of Bambino Agro Industries Ltd. and Nestle.

RESEARCH FINDINGS

After the given calculations and interpretation of data of Nestle India and Bambino Agro Industries Ltd., it is found that:

- The current ratio of Bambino Agro Industries is higher than the Nestle India which shows that the liquidity position of Bambino Agro Industries is better than the Nestle India.
- The quick ratio of Nestle India is greater than that of Bambino Agro Industries Ltd. It demonstrates the company's ability to meet its short-term debt obligations.

- On comparing debt to equity ratio of both the companies, the ratio of Nestle India is greater than that of Bambino Agro Industries Ltd. It demonstrates that Nestle India is increasing the amount of capital it borrowed from the market to finance its operations.
- As a result, Bambino Agro Industries Ltd. is able to fulfil its long-term commitments. On average, it has a greater total asset to debt ratio than Nestle India. Clearly, Bambino Agro Industries Ltd. has the 'safety of margin' to the lenders of the long-term debts.
- Proprietary ratios of both the banks are almost similar. This indicates that the proportion of total assets financed by proprietor's funds is similar to both the companies and the adequate safety for creditors is less than the ideal ratio.

Therefore, Bambino Agro Industries Ltd. has better solvency position than Nestle India.

- Therefore, Nestle India has much greater ROE as compared to the other company which shows that it is more efficient in converting its equity financing into profits.
- Both the companies have greater working capital turnover ratio as compared to the ideal ratio. This indicates that both the companies are able to generate a large amount of sales which shows that these are more efficient in their operations and revenue generation.
- On comparing total assets turnover ratio between the two companies, Nestle India has the greater total assets turnover ratio which indicates a more efficient use of assets.

Nestle India's current asset turnover ratio is 3.53 times, which is higher than the recommended ratio of 2.5 times. This indicates a more efficient use of current assets to produce sales.

- Bambino Agro Industries Ltd. has a much higher turnover ratio than the Nestle India which indicates a more efficient use of assets.
- Therefore, Nestle India has better activity turnover position. On comparing the gross profit ratio of both the companies, the profitability position of Nestle India is much better than Bambino Agro Industries Ltd.
- Nestle India's net profit ratio and operating profit ratio are both 15.10%, which is higher than the recommended level of 10%, which shows that the operational efficiency of this company is better than the other company.
- On comparing the operating ratio of both the companies, the percentage of Bambino Agro Industries Ltd. is lower than the other firm. Therefore, Nestle India is more efficient and has more profit margin than Bambino Agro Industries Ltd.

CONCLUSION

- After the given considerations and calculations of Nestle India and Bambino Agro Industries Ltd., it can be concluded that financial statements and analysis of financial performance are one of the important aspects of every institution or an organization or an enterprise.
- The financial performance of every institution builds the image in the eyes of public. This financial performance cannot be ascertained without the use of specific theories or application of certain tools.
- All the objectives of the study are successfully fulfilled and this study is able to generate specific facts and figures about both the FMCG sectors.
- This study is also helpful in understanding of the concept of ratio analysis and its calculations.
- This study also explains about the research methodology and other things related to it. Therefore, this study accomplishes the main motive of evaluation and comparison of financial performance of Nestle India and Bambino Agro Industries Ltd. by performing a ratio analysis over the previous four years.
- According to this, Bambino Agro Industries Ltd. has better liquidity position than Nestle India while the solvency position of Bambino Agro Industries is good compared to the other company.

- The profitability and activity turnover position of Nestle India is much better than the Bambino Agro Industries Ltd.

Recommendations

- Nestle India can improve its liquidity position through the improvement in the short-term paying obligations by increasing the amount of current assets because the ratio is slightly less than the ideal ratio.
- Under liquid ratio, Bambino Agro Industries Ltd. has lower ratio than the ideal ratio which means that in order to reach the ideal liquidity position, this company should improve its use of near cash or quick assets to extinguish or retire its current liabilities immediately.
- Bambino Agro Industries Ltd. should try to improve its solvency position by balancing between the owner’s fund and borrowed funds, and utilizing its assets efficiently.
- The gross profit ratio of both the companies is very less than the ideal ratio. This shows that the companies are not able to meet their operating expenses and not able to create sufficient reserves. Therefore, efforts should be made by both the companies to improve its profitability position.
- The net profit of Bambino Agro Industries Ltd. is very less than the Nestle India as well as the ideal percentage. This shows a major drawback in the financial performance of the company. Hence, efforts should be made to improve the net profit margin in order to have better results.

Limitations

- In this study, secondary data is used in which the information used may not be accurate.
- The data can be general and vague, and may not really help companies with decision making.
- The secondary data is not specific to the researcher’s needs.
- The researcher does not have control over the quality of the data.
- The secondary data is completely dependent on the owner and no further changes can be done.
- The research is limited only to the application of ratio analysis as no other accounting tool is being used for the study.
- The accounting tool has applied only the last four years data only.
- In this research, only FMCG sector is being taken for the study.

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