

Profitability, Liquidity, and Solvency Analysis of FMCG Firms: A Comparative Study of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

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Abstract

This paper presents a comparative analysis of the financial performance of Nestlé India Ltd. and Parle Products Pvt. Ltd. over the period 2011–2020, with a focus on profitability, liquidity, and solvency. Using secondary data drawn from audited reports, industry databases, and regulatory publications, the study applies ratio analysis, descriptive statistics, and paired sample t-tests to examine firm-level outcomes. Results indicate that Nestlé consistently outperformed Parle in profitability, achieving substantial and sustained net profits, while Parle reported negligible returns despite wide market penetration. Liquidity analysis reveals that Nestlé maintained ratios close to conventional benchmarks, reflecting disciplined working capital practices, whereas Parle exhibited extreme volatility, with excessively high reserves followed by instability in later years. Solvency analysis highlights Nestlé's dynamic shift toward equity-driven financing, in contrast to Parle's rigid debt-averse model. Together, the findings underscore the decisive role of ownership structures and governance philosophies in shaping financial outcomes in India's FMCG sector. For managers and policymakers, the evidence highlights the importance of balancing profitability with efficient liquidity management and prudent leverage to ensure resilience and competitiveness in a rapidly evolving market.

Keywords: Profitability, Liquidity, Solvency, Nestlé India, Parle Products, FMCG Sector, Financial Performance, Ownership Structure.

Introduction

The assessment of financial performance remains central to the discipline of corporate finance, particularly in competitive industries such as the FMCG sector where firms operate under thin margins and dynamic consumer demand. Financial ratios—profitability, liquidity, and solvency—serve as indispensable tools to evaluate the overall health and sustainability of firms, offering insights into their operational efficiency, stability, and risk management strategies.

In the Indian context, the FMCG sector contributes significantly to GDP, employment generation, and rural consumption. Within this sector, Nestlé India Ltd. and Parle Products Pvt. Ltd. represent two contrasting business models. Nestlé, as a multinational and publicly listed firm, embodies global standards of transparency, investor accountability, and premium product orientation. Parle, on the other hand, is a privately owned domestic enterprise renowned for its cost-leadership strategy, affordability, and mass-market penetration. These differences in ownership and governance structures provide a fertile ground for comparative analysis. The decade under review (2011–2020) coincides with transformative events such as demonetization, the implementation of Goods and Services Tax (GST), and the COVID-19 pandemic, all of which had profound implications for FMCG firms. Against this backdrop, this paper seeks to systematically compare the

profitability, liquidity, and solvency of Nestlé and Parle, thereby advancing both scholarly understanding and managerial insights.

Review of Literature

The financial performance of firms in the FMCG sector has been the subject of considerable scholarly attention, particularly with reference to profitability, liquidity, and solvency. Profitability studies consistently highlight the role of brand equity, scale efficiency, and product diversification in sustaining competitive advantage. Bagchi and Khamrui (2012), examining Indian FMCG firms over 2001–2010, concluded that sales growth and scale efficiencies were primary determinants of profitability, a finding that aligns closely with the performance trajectory of Nestlé. Patjoshi and Nandini (2019), in their comparative assessment of ITC and Britannia, further reinforced that diversified portfolios contribute to higher margins, while niche specialization, though competitive, restricts profitability growth. However, these studies remain concentrated on publicly listed firms, leaving a gap in understanding the financial dynamics of private players such as Parle. The introduction of regulatory reforms such as the Goods and Services Tax (GST) reshaped profitability models by altering supply chain efficiencies. Singh and Agarwal (2018) documented that compliance costs initially reduced margins across FMCG firms, but profitability recovered as firms adapted to the new regime. Sharma (2017), through an ANOVA-based study of Hindustan Unilever Ltd. (HUL) and Dabur, found no significant difference in profitability ratios, underscoring the resilience of listed firms to policy disruptions. In contrast, family-owned private firms like Parle, operating on low margins, remain underexplored in such analyses, suggesting the need for a more inclusive comparative framework.

Liquidity has also been extensively studied, especially in the context of economic shocks. Kumar and Rao (2017) found that FMCG firms with deeper rural penetration experienced greater liquidity constraints during demonetization, highlighting the vulnerability of firms reliant on cash-based distribution systems. Mishra (2016) emphasized that optimal liquidity correlates positively with profitability, but excessive liquidity diminishes returns—an observation particularly relevant for Parle, which historically maintained conservative liquidity buffers. Gupta (2015), focusing on cash conversion cycles in HUL, ITC, and Dabur, concluded that firms with shorter cycles achieved higher returns on assets, illustrating the importance of efficient working capital management. Yet, such insights remain largely absent for unlisted entities where disclosures are minimal.

Solvency research in the FMCG sector tends to converge on the low reliance on debt due to stable cash flows. Reddy and Rani (2015) demonstrated that Indian FMCG firms prefer equity-based financing, consistent with the debt-averse nature of the industry. Verma (2018) found that companies like ITC and Nestlé maintained strong interest coverage ratios, reflecting robust profitability and prudent leverage management. Similarly, Patel and Joshi (2021) showed that listed firms strategically employ debt to optimize capital structure, while private firms tend to depend on internal accruals, a finding directly relevant to the Nestlé–Parle comparison. This ownership-driven divergence between transparency-oriented public firms and confidentiality-driven private enterprises underscores the importance of analyzing solvency from a governance perspective.

Taken together, existing literature affirms the centrality of profitability, liquidity, and solvency in evaluating FMCG performance but reveals a consistent bias toward listed companies. The absence of systematic studies on privately held

giants such as Parle reflects a significant empirical gap. This study addresses that void by juxtaposing the financial outcomes of a multinational, publicly listed firm (Nestlé) with a privately held domestic enterprise (Parle), thereby offering a more holistic understanding of financial performance in India's FMCG sector.

Methodology

The study adopts a comparative and analytical research design to evaluate the financial performance of Nestlé India Ltd. and Parle Products Pvt. Ltd. over the ten-year period from 2011 to 2020. These firms were selected purposively, as they represent two distinct ownership and governance models within India's FMCG sector: Nestlé as a publicly listed multinational accountable to investors, and Parle as a privately held domestic enterprise operating on a cost-leadership model. Their contrasting structures provide a robust basis for comparative analysis.

Data Sources

The analysis relies exclusively on secondary data. For Nestlé India, audited annual reports and published financial statements were directly accessed for the entire period under review. In the case of Parle Products, where detailed disclosures are limited due to its private ownership, financial data were obtained from established industry databases such as CMIE Prowess and Capitaline, supplemented with reports from IBEF, CII, and FICCI, as well as credible business publications. Cross-verification through multiple sources was employed to ensure reliability and accuracy.

Variables and Ratios

Financial performance was assessed across three key dimensions—profitability, liquidity, and solvency—operationalized through widely accepted ratios:

- Profitability: Net Profit Margin (NPM), Return on Assets (ROA), Return on Equity (ROE).
- Liquidity: Current Ratio (CR), Quick Ratio (QR).
- Solvency: Debt-to-Equity Ratio (D/E), Interest Coverage Ratio (ICR).

Analytical Framework

Ratio analysis was used to compute year-wise indicators and identify performance patterns. Descriptive statistics, including mean, standard deviation, and coefficient of variation, were employed to capture stability and volatility across the decade. To establish whether observed differences between the two firms were statistically significant, paired sample t-tests were conducted. Microsoft Excel was used for ratio computations and visualization of trends, while SPSS (Statistical Package for the Social Sciences) was employed for inferential testing.

Rationale

The integration of ratio analysis, descriptive statistics, and hypothesis testing ensures both breadth and depth in evaluating financial performance. While ratios provide clarity on firm-level outcomes, statistical testing validates whether differences are systematic rather than incidental. By situating the analysis within a decade-long horizon that includes structural reforms such as demonetization, GST implementation, and the COVID-19 pandemic, the methodology offers a rigorous and contextually grounded assessment of profitability, liquidity, and solvency in India's FMCG sector.

Results and discussion

The results section presents empirical evidence on the financial performance of Nestlé India Ltd. and Parle Products Pvt. Ltd. across three dimensions—profitability, liquidity, and solvency—for the period 2011–2020. Statistical tests and ratio

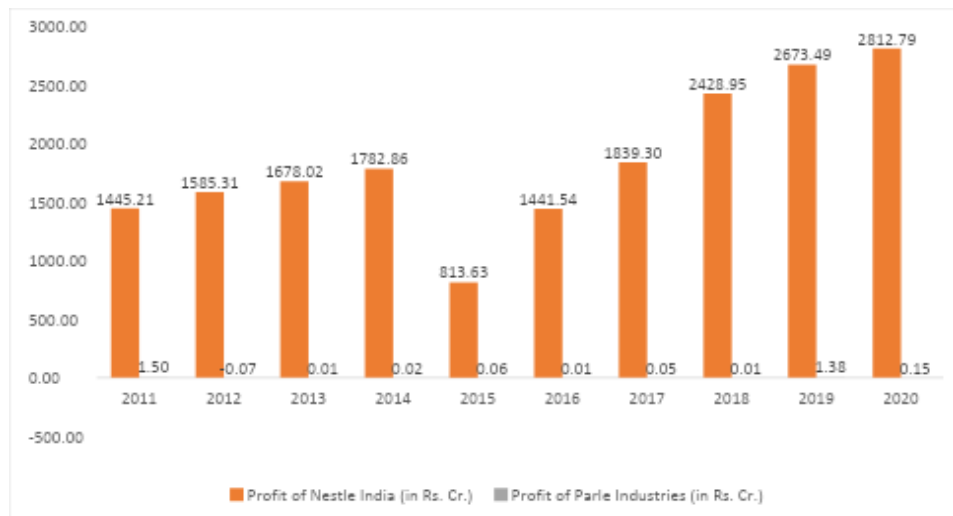
analysis are applied to highlight inter-firm differences, while the discussion contextualizes these findings within ownership structures, governance philosophies, and industry dynamics. This integrated approach ensures that results are not only numerically reported but also critically interpreted in line with the study’s objectives.

Profitability: Table 1 presents the annual net profits of Nestlé India Ltd. and Parle Products Pvt. Ltd. for the ten-year period spanning 2011 to 2020. Nestlé consistently outperformed Parle in profitability during 2011–2020. Nestlé’s profits rose from ₹1,445 crores in 2011 to ₹2,813 crore in 2020, despite a temporary dip in 2015 due to the Maggi ban. Parle, by contrast, reported negligible profits, peaking at ₹1.50 crore (2011) and ₹1.38 crore (2019), with intermittent losses. The paired t-test confirmed a significant mean difference of ₹1,849.80 crores ($p < 0.001$), reflecting Nestlé’s superior profit orientation as a listed multinational versus Parle’s conservative private model.

Table 1: Comparative Profit of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Profit of Nestle India (in Rs. Cr.)	1445.21	1585.31	1678.02	1782.86	813.63	1441.54	1839.30	2428.95	2673.49	2812.79
Profit of Parle Industries (in Rs. Cr.)	1.50	-0.07	0.01	0.02	0.06	0.01	0.05	0.01	1.38	0.15

The table 1 shows the comparative profit of Nestlé India Ltd. and Parle Products Pvt. Ltd. from 2011–2020, indicating that Nestlé consistently earned substantial and rising profits despite a dip in 2015, whereas Parle’s profits remained negligible with minimal fluctuations and occasional losses. Exactly figure 4.1 illustrates the annual profits of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020), with orange bars for Nestlé and grey for Parle. The graph highlights the stark profitability gap between the two companies.



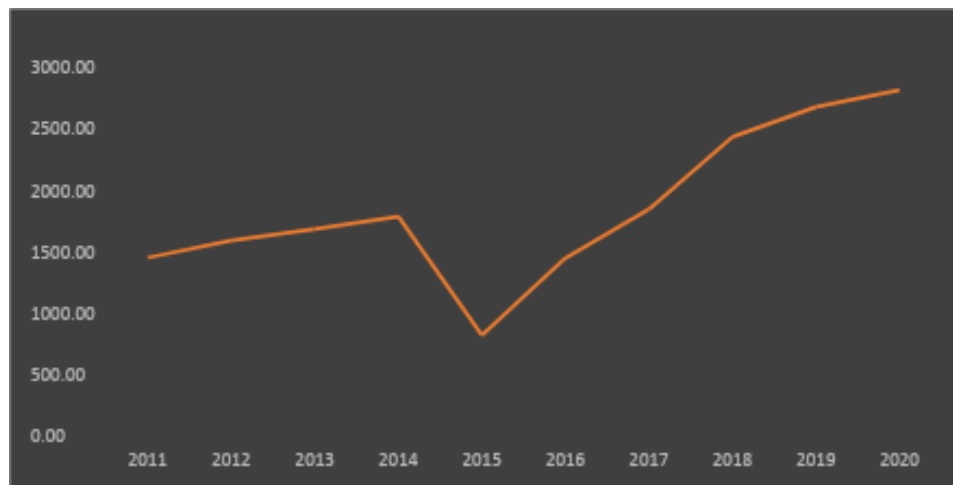
Graph 1: Comparative Profit of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Graph 1 underscores the stark divergence in profitability trajectories between Nestlé India Ltd. and Parle Products Pvt. Ltd. over 2011–2020. Nestlé demonstrates sustained long-term growth, rebounding strongly from the 2015 Maggi ban through its diversified portfolio, brand equity, and global R&D support, whereas Parle’s profits remain negligible,

reflecting a deliberate cost-leadership strategy that prioritizes affordability and market penetration over margins. This contrast highlights how differing ownership structures and strategic orientations—investor-driven growth for Nestlé versus debt-averse stability for Parle—shape their financial outcomes.

Trend Analysis of Nestlé India Ltd.’s Profitability (2011–2020)

Trend analysis examines changes in financial indicators over time, revealing patterns of growth, decline, and recovery. Graph 2, a line chart of Nestlé India’s profits from 2011–2020, highlights the firm’s overall growth trajectory, temporary setbacks, and long-term resilience in sustaining shareholder value.

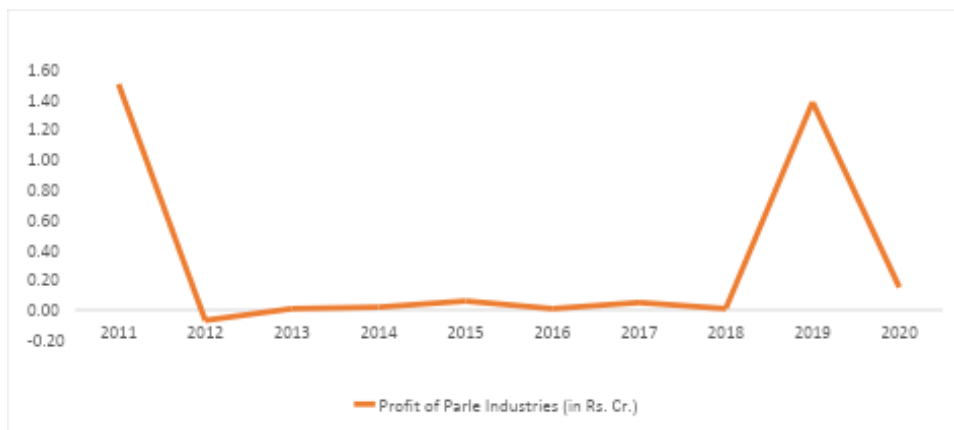


Graph 2: Profit Trend of Nestlé India Ltd. (2011–2020)

Nestlé India’s profit trend (2011–2020) reflects three distinct phases: steady growth from 2011–2014, a sharp decline in 2015 due to the Maggi noodles ban, and a strong recovery thereafter, with profits reaching ₹2812.79 crore in 2020. The rebound was supported by product diversification, renewed consumer trust, and favorable policy shifts such as GST and digital retail expansion. When contrasted with Parle’s negligible profitability, Nestlé’s trajectory underscores the advantages of public ownership, investor-driven governance, and global integration. Overall, Graph 4.2 confirms Nestlé’s resilience and long-term growth orientation, consolidating its position as a financially robust multinational in India’s FMCG sector.

Trend Analysis of Parle Products Pvt. Ltd.’s Profitability (2011–2020)

Trend analysis provides insights into a firm’s financial trajectory, indicating stability, growth, or decline. For Parle Products Pvt. Ltd., limited disclosures make profit trends a crucial indicator of strategic outcomes. Graph 4.3 (2011–2020) reveals consistently negligible profitability, sharp fluctuations, and even negative returns, in stark contrast to Nestlé’s steady upward performance, thereby reflecting the constraints of Parle’s cost-leadership and low-margin model.



Graph 3: Profit Trend of Parle Products Pvt. Ltd. (2011–2020)

Parle’s profitability trend (2011–2020) shows volatility, negligible returns, and limited growth, with only a brief spike in 2019 before declining again in 2020, reflecting the constraints of its cost-leadership strategy. In contrast to Nestlé’s consistently high profits, Parle’s performance underscores the trade-off between affordability-driven market share and sustainable financial growth. To assess these differences statistically, paired samples statistics were computed for both firms, summarizing mean, standard deviation, and standard error as a basis for subsequent t-test analysis.

Table 2: Paired Samples Statistics for Profit of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Statistics		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Profit of Nestle India (in Rs. Cr.)	1850.1100	10	619.07645	195.76916
	Profit of Parle Industries (in Rs. Cr.)	.3120	10	.59770	.18901

The paired samples statistics highlight a stark profitability gap between the firms. Nestlé India Ltd. reported an average profit of ₹1850.11 crore with a standard deviation of ₹619.07 crore, reflecting high but controlled variability linked to events such as the 2015 Maggi ban. Conversely, Parle Products Pvt. Ltd. recorded an average of only ₹0.31 crore with a standard deviation of ₹0.59 crore, indicating marginal returns and proportionally higher volatility. These results confirm Nestlé’s superior performance and provide the empirical foundation for applying the paired samples t-test to establish statistical significance in the observed differences.

Paired Samples Correlations for Profitability (2011–2020)

In addition to descriptive statistics, the paired samples correlation test provides insights into whether the profitability trends of Nestlé India Ltd. and Parle Products Pvt. Ltd. are related over time. Correlation values range between -1 and +1, where positive values indicate that the variables move together, negative values suggest they move inversely, and values close to zero denote weak or no linear relationship. In this case, the correlation analysis helps determine whether changes in Nestlé’s profitability are systematically associated with changes in Parle’s profitability during the study period.

Table 3: Paired Samples Correlation between Profit of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Correlations		N	Correlation	Sig.
Pair 1	Profit of Nestle India (in Rs. Cr.) & Profit of Parle Industries (in Rs. Cr.)	10	.189	.602

Table 3 reports the paired samples correlation for profitability between Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020). The correlation coefficient of 0.189 ($p = 0.602$) indicates a weak and statistically insignificant positive

relationship, confirming that the firms' profitability trends are independent. Nestlé's growth is driven by premium pricing, diversification, and global R&D, whereas Parle's marginal returns stem from its cost-leadership and conservative ownership model. Thus, Table 4.3 reinforces that their financial trajectories are distinct, warranting a comparative rather than relational assessment.

Liquidity

Nestlé maintained balanced liquidity, with CR ranging from 0.88 to 2.64 and QR between 0.38 and 2.03, close to conventional benchmarks. Parle, however, displayed extreme ratios, with CR spiking to 129.91 in 2018 before declining to 3.44 in 2020. Such volatility indicates excessive current asset holdings and inefficient working capital deployment. Statistical results reinforce this divergence: the paired sample t-test revealed significant differences for both Current Ratio (mean difference = -33.07; p = 0.016) and Quick Ratio (mean difference = -19.46; p = 0.003). This confirms that Nestlé pursued a lean, efficiency-driven liquidity strategy, while Parle overemphasized cash buffers, often at the cost of profitability.

Table 4: Current Ratio and Quick Ratio of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Years	Current Ratio of Nestle	Quick Ratio of Nestle	Current Ratio of Parle	Quick Ratio of Parle
2011	0.88	0.38	26.95	26.95
2012	1.31	0.65	24.64	24.64
2013	1.71	1.16	35.57	35.57
2014	1.45	0.83	39.88	39.88
2015	1.68	1.12	30.53	30.53
2016	2.01	1.43	26.31	26.31
2017	2.64	2.03	26.31	20.01
2018	2.55	2.03	129.91	0.72
2019	1.74	1.16	4.81	0.98
2020	1.68	1.11	3.44	0.89

The table presents the Current Ratio and Quick Ratio of Nestlé India Ltd. and Parle Products Pvt. Ltd. from 2011–2020, showing that Nestlé maintained relatively stable and gradually improving liquidity, while Parle exhibited highly fluctuating ratios, with extreme variations across the years.

Paired Samples Statistics for Liquidity Ratios (2011–2020)

Liquidity analysis requires not only ratio computation but also statistical validation to determine the consistency and comparative significance of firm-level outcomes. The paired samples statistics for Current Ratio (CR) and Quick Ratio (QR) summarize the mean values, variability, and standard errors for Nestlé India Ltd. and Parle Products Pvt. Ltd. over the study period 2011–2020. These results provide the empirical foundation for subsequent correlation and t-test analysis, thereby highlighting the distinct liquidity management approaches of the two firms.

Table 5: Paired Samples Statistics for Current and Quick Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Statistics		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Current Ratio of Nestle	1.7650	10	.53223	.16831
	Current Ratio of Parle	34.8350	10	35.40620	11.19642
Pair 2	Quick Ratio of Nestle	1.1900	10	.53325	.16863
	Quick Ratio of Parle	20.6480	10	14.72956	4.65790

Table 5 Presents the paired samples statistics for liquidity ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020), revealing stark contrasts in their financial management. Nestlé’s Current Ratio ($M = 1.76$, $SD = 0.53$) and Quick Ratio ($M = 1.19$, $SD = 0.53$) remain stable and closely aligned with conventional benchmarks, reflecting disciplined working capital practices and consistent short-term solvency. In contrast, Parle records abnormally high averages for both the Current Ratio ($M = 34.83$, $SD = 35.40$) and Quick Ratio ($M = 20.65$, $SD = 14.72$), indicating excessive liquidity, extreme volatility, and inefficient utilization of resources. These results highlight Nestlé’s investor-oriented liquidity management versus Parle’s ultra-conservative, debt-averse approach, which prioritizes reserves at the expense of profitability.

Table 6: Paired Samples Correlations for Current and Quick Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Correlations		N	Correlation	Sig.
Pair 1	Current Ratio of Nestle & Current Ratio of Parle	10	.465	.176
Pair 2	Quick Ratio of Nestle and Quick Ratio of Parle	10	-.411	.238

Table 6 Reports the paired samples correlations for liquidity ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020). The Current Ratios show a moderate positive correlation ($r = 0.465$, $p = 0.176$), while the Quick Ratios indicate a moderate negative correlation ($r = -0.411$, $p = 0.238$). In both cases, the relationships are statistically insignificant, confirming that the firms’ short-term solvency practices function independently. Overall, the evidence highlights distinct liquidity management approaches: Nestlé’s stable, investor-oriented strategy contrasts with Parle’s volatile, conservative model, shaped more by ownership structure than by industry-wide forces.

Paired Samples t-Test for Liquidity Ratios (2011–2020)

The paired samples t-test was applied to assess whether the liquidity ratio differences between Nestlé India Ltd. and Parle Products Pvt. Ltd. are statistically significant. Beyond descriptive contrasts, this test offers inferential confirmation by examining if variations in the Current Ratio (CR) and Quick Ratio (QR) over 2011–2020 are systematic rather than incidental.

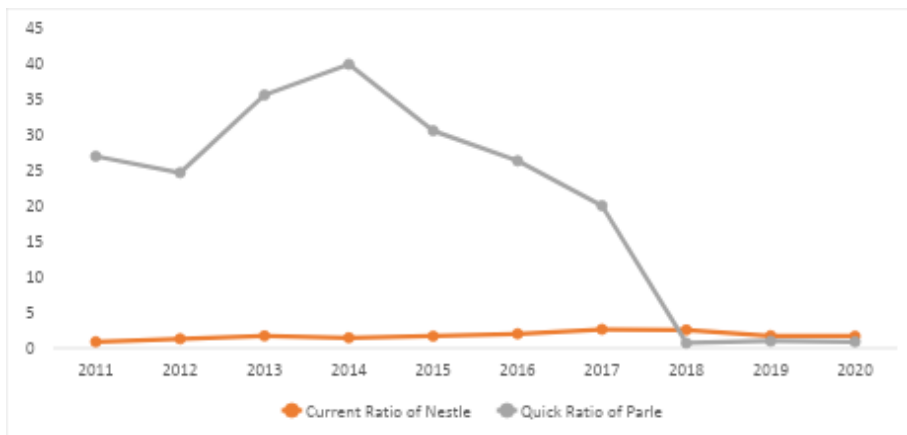
Table 7: Paired Samples t-Test Results for Current and Quick Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Test		Pair 1	Pair 2
		Current Ratio of Nestle - Current Ratio of Parle	Quick Ratio of Nestle - Quick Ratio of Parle
Paired Differences	Mean	-33.07000	-19.45800
	Std. Deviation	35.16188	14.95674
	Std. Error Mean	11.11916	4.72974
	95% Confidence Interval of the Difference	Lower	-58.22330
Upper		-7.91670	-8.75859
t		-2.974	-4.114
df		9	9
Sig. (2-tailed)		.016	.003

The paired samples t-test confirms statistically significant differences in liquidity ratios between Nestlé India Ltd. and Parle Products Pvt. Ltd. For the Current Ratio, Parle’s levels exceeded Nestlé’s by an average of 33 points ($t = -2.974$, $p = 0.016$), while for the Quick Ratio, the gap averaged nearly 20 points ($t = -4.114$, $p = 0.003$), with confidence intervals excluding zero in both cases. These results demonstrate structural contrasts in liquidity management: Nestlé maintains efficiency-oriented solvency aligned with profitability and investor expectations, whereas Parle sustains disproportionately high reserves reflecting its conservative, family-owned model. The evidence underscores the liquidity–profitability trade-off shaped by ownership structure and strategic orientation within India’s FMCG sector.

Comparative Liquidity Trends of Nestlé and Parle (2011–2020)

Graphical representation of liquidity ratios allows for a clear visualization of differences in financial philosophy and management practices. By plotting Nestlé’s Current Ratio alongside Parle’s Quick Ratio, the figure highlights the stark contrast between lean, efficiency-driven liquidity management in a publicly listed multinational and excessively conservative liquidity buffers in a privately owned domestic firm.



Graph 4: Comparative Liquidity Trends of Nestlé (Current Ratio) and Parle (Quick Ratio), 2011–2020

Graph 4 depicts the contrasting liquidity patterns of Nestlé India Ltd. and Parle Products Pvt. Ltd. from 2011–2020. Nestlé’s Current Ratio remains stable within 0.88–2.64, aligning with benchmark norms and reflecting efficient working capital control and predictable solvency. In contrast, Parle’s Quick Ratio exhibits extreme volatility, rising from 26.95 in 2011 to an anomalous peak of 129.91 in 2018 before collapsing below 1.0 by 2020. This instability highlights excessive liquidity buffers, inefficient resource use, and weak asset–liability alignment. Overall, the figure underscores Nestlé’s disciplined, investor-driven liquidity management versus Parle’s risk-averse, inconsistent approach, illustrating the liquidity–profitability trade-off shaped by ownership and governance structures in India’s FMCG sector.

Solvency

Nestlé’s D/E ratio fell from 0.76 in 2011 to near-zero after 2014, indicating strategic deleveraging. Parle remained almost debt-free throughout, reflecting risk aversion and reliance on internal accruals. Although differences were not statistically significant ($p = 0.097$), the contrast highlights divergent philosophies: Nestlé’s flexible capital structuring versus Parle’s conservative zero-debt approach.

Solvency Analysis of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Solvency ratios assess a firm’s capacity to meet long-term obligations, with the Debt-to-Equity (D/E) ratio serving as a key indicator of reliance on borrowings versus equity. While moderate debt may support growth in capital-intensive sectors, FMCG firms typically prefer equity-driven financing due to steady cash flows and rapid product turnover. Table 4.7 presents the D/E ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020), highlighting their contrasting approaches to long-term financing and reliance on external debt.

Table 8: Debt-to-Equity Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

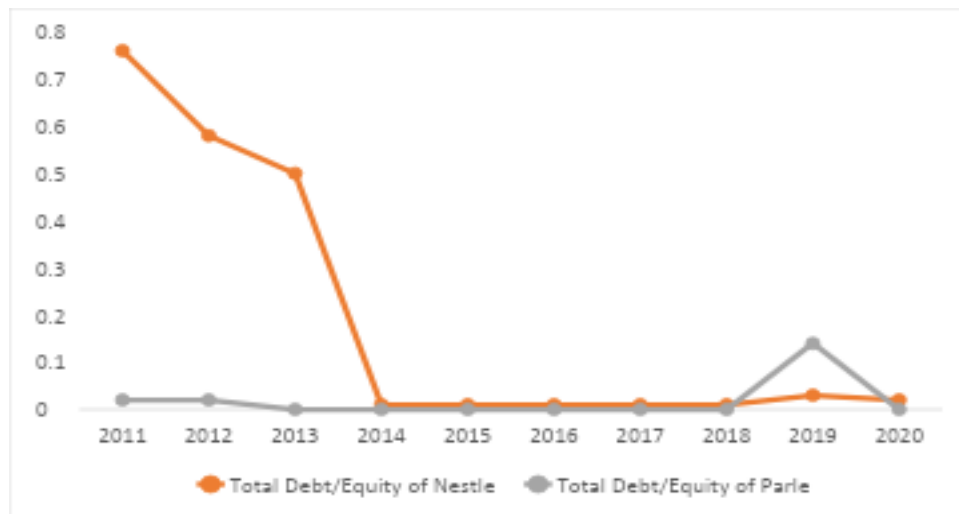
Years	Total Debt/Equity of Nestle	Total Debt/Equity of Parle
2011	0.76	0.02
2012	0.58	0.02
2013	0.5	0
2014	0.01	0
2015	0.01	0
2016	0.01	0
2017	0.01	0
2018	0.01	0
2019	0.03	0.14
2020	0.02	0

The solvency analysis reveals contrasting yet conservative debt practices for Nestlé India Ltd. and Parle Products Pvt. Ltd. Nestlé reduced its Debt-to-Equity ratio from 0.76 in 2011 to 0.50 in 2013, and thereafter to 0.01 from 2014 onward, reflecting a deliberate shift toward equity-based financing supported by strong earnings and investor confidence. Parle, by contrast, maintained near-zero debt throughout the decade, with ratios between 0.00 and 0.02, except for a brief rise to 0.14 in 2019, underscoring its ultra-conservative, family-owned approach reliant on internal funds. While both firms embody the FMCG sector’s debt-averse profile, Nestlé demonstrates a dynamic capital structure strategy aligned with

shareholder expectations, whereas Parle prioritizes financial autonomy over scalability. This divergence underscores the influence of ownership structure on solvency management.

Debt-to-Equity Trends of Nestlé and Parle (2011–2020)

The Debt-to-Equity (D/E) ratio indicates the balance between debt and equity financing, with lower values reflecting stability and reduced risk. In FMCG, firms generally favor conservative ratios due to steady cash flows. Figure 4.5 depicts D/E trends (2011–2020), showing Nestlé’s shift from moderate debt reliance to near-zero levels, while Parle maintained negligible debt throughout, except for a brief rise in 2019.



Graph 5: Debt-to-Equity Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Nestlé’s Debt-to-Equity ratio declined from 0.76 in 2011 to 0.50 in 2013 and dropped to 0.01 in 2014, remaining near zero thereafter except for marginal rises in 2019 (0.03) and 2020 (0.02). This shift reflects equity-driven growth supported by retained earnings and market confidence. Parle, by contrast, maintained near-zero leverage (0.00–0.02) across the decade, with a brief rise to 0.14 in 2019, indicating a temporary funding need. Overall, Figure 4.6 highlights two distinct approaches: Nestlé’s adaptive, equity-focused strategy reducing financial risk versus Parle’s rigid debt-averse model prioritizing autonomy but limiting scalability, shaped by their ownership and governance structures.

Paired Samples Statistics for Debt-to-Equity Ratios (2011–2020)

To assess solvency differences between Nestlé India Ltd. and Parle Products Pvt. Ltd., paired samples statistics provide summary measures of central tendency and variability in their Debt-to-Equity ratios over the ten-year period. These results establish the empirical base for subsequent correlation and t-test analysis, enabling a deeper understanding of capital structure strategies adopted by both firms.

Table 9: Paired Samples Statistics for Debt-to-Equity Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Statistics		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Total Debt/Equity of Nestlé	.1940	10	.29617	.09366
	Total Debt/Equity of Parle	.0180	10	.04367	.01381

The statistics highlight clear differences in leverage. Nestlé reported a mean Debt-to-Equity ratio of 0.194 (SD = 0.296), reflecting moderate debt use initially and a shift to equity dominance, with a standard error of 0.093 indicating reliable estimates. Parle’s mean ratio was only 0.018 (SD = 0.044), showing near-total debt avoidance and consistent reliance on internal funds. Overall, Nestlé adopted a dynamic, market-driven structure, while Parle maintained a rigid, debt-averse model shaped by private ownership and financial conservatism.

Paired Samples Correlation for Debt-to-Equity Ratios (2011–2020)

Correlation analysis was applied to examine whether the solvency patterns of Nestlé India Ltd. and Parle Products Pvt. Ltd. show any statistical relationship over the study period. A correlation coefficient close to +1 indicates a strong positive association, a value near –1 signals a strong inverse association, and a value around 0 denotes little or no relationship. This test is critical in understanding whether the capital structure strategies of the two firms are aligned or evolve independently.

Table 10: Paired Samples Correlation between Debt-to-Equity Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Correlations		N	Correlation	Sig.
Pair 1	Total Debt/Equity of Nestle & Total Debt/Equity of Parle	10	-.034	.926

The correlation coefficient of –0.034 indicates an almost negligible negative relationship between the Debt-to-Equity ratios of Nestlé and Parle. The associated p-value of 0.926 is far above the 0.05 significance threshold, confirming that the correlation is statistically insignificant. This result demonstrates that the solvency practices of Nestlé and Parle are entirely independent of each other. Nestlé’s gradual transition from moderate leverage to an equity-dominant structure reflects strategic adaptation to profitability, governance standards, and investor expectations. Conversely, Parle’s near-zero reliance on debt throughout the period embodies a conservative, family-owned financing philosophy rooted in self-sufficiency. The absence of correlation highlights that these approaches are not shaped by common industry forces but rather by firm-specific ownership models and governance orientations.

Paired Samples t-Test for Debt-to-Equity Ratios (2011–2020)

The paired samples t-test was applied to determine whether the observed differences in Debt-to-Equity ratios between Nestlé India Ltd. and Parle Products Pvt. Ltd. are statistically significant. While descriptive statistics and correlation analyses indicated differences in capital structure strategies, the t-test provides inferential evidence on whether these variations are systematic or due to random fluctuations.

Table 11: Paired Samples t-Test for Debt-to-Equity Ratios of Nestlé India Ltd. and Parle Products Pvt. Ltd. (2011–2020)

Paired Samples Test	
	Pair 1
	Total Debt/Equity of Nestle - Total Debt/Equity of Parle

Paired Differences	Mean		.17600
	Std. Deviation		.30082
	Std. Error Mean		.09513
	95% Confidence Interval of the Difference	Lower	-.03919
Upper		.39119	
t			1.850
df			9
Sig. (2-tailed)			.097

The paired samples t-test shows a mean difference of 0.176 in Debt-to-Equity ratios, with a 95% confidence interval (–0.039 to 0.391), $t = 1.850$ ($df = 9$), and $p = 0.097$, indicating no statistical significance. This confirms acceptance of the null hypothesis (H_0), suggesting that despite Nestlé’s initial reliance on debt and Parle’s consistently minimal leverage, both firms ultimately converged toward a conservative, near debt-free solvency structure. The result underscores the FMCG sector’s broader preference for stability and risk aversion over differential ownership strategies.

Synthesis

The integrated evaluation across profitability, liquidity, and solvency reveals a clear divergence in financial strategies and outcomes. Nestlé India Ltd., as a listed multinational, consistently demonstrated strong profitability, disciplined liquidity management, and a balanced solvency structure, reflecting investor accountability, market-driven governance, and access to global financial resources. Parle Products Pvt. Ltd., by contrast, pursued a conservative model centered on liquidity buffers and debt avoidance, which safeguarded stability and consumer trust but limited profitability, efficiency, and scalability. These findings reaffirm theoretical perspectives such as the liquidity–profitability trade-off and capital structure conservatism, illustrating how governance structures and ownership philosophies directly shape financial outcomes in India’s FMCG sector.

Managerial Implication: For practitioners, the results highlight that while excessive conservatism may ensure short-term stability, sustainable growth in competitive FMCG markets demands balanced financial strategies that integrate profitability with efficient liquidity and prudent leverage management.

Discussion

The comparative evidence underscores the decisive role of ownership and governance in shaping financial outcomes within India’s FMCG sector. Nestlé’s consistent profitability and balanced solvency reflect the advantages of being a listed multinational, with access to capital markets, institutional governance, and investor accountability driving efficiency and growth. Its ability to sustain margins even during regulatory shocks, such as the GST transition and the Maggi ban, demonstrates resilience derived from diversified product portfolios and global best practices.

Parle’s performance, on the other hand, illustrates the trade-offs inherent in a conservative, privately held model. Excessive liquidity buffers and near-zero leverage ensured stability but constrained profitability and operational dynamism. The erratic liquidity ratios and negligible returns indicate inefficiencies in capital deployment, confirming theoretical perspectives on the liquidity–profitability trade-off and capital structure conservatism. From a broader perspective, these findings suggest that financial strategies in the FMCG industry cannot be divorced from ownership

philosophy. Public firms are compelled to optimize profitability and efficiency to meet shareholder expectations, while private firms often prioritize stability and control, even at the cost of growth. For policymakers, the results reinforce the importance of transparent reporting standards for private firms to ensure sectoral comparability. For managers, the study highlights the need to integrate profitability and solvency discipline into liquidity management to sustain competitiveness in a rapidly evolving market.

Conclusion

This study compared the financial performance of Nestlé India Ltd. and Parle Products Pvt. Ltd. from 2011 to 2020, with emphasis on profitability, liquidity, and solvency. The analysis revealed a pronounced divergence: Nestlé, as a listed multinational, sustained strong profitability, maintained liquidity near accepted benchmarks, and managed leverage effectively, reflecting market accountability and global best practices. Parle, by contrast, prioritized stability through excessive liquidity and minimal debt, but this conservative stance limited profitability and long-term growth, despite its wide consumer base. The findings highlight that ownership and governance models decisively influence financial outcomes in India's FMCG sector. Nestlé demonstrates the benefits of transparency and efficient resource allocation, whereas Parle underscores the trade-offs of a risk-averse private structure. For practitioners and policymakers, the results stress the need to balance profitability with prudent liquidity and leverage management to ensure resilience and competitiveness in fast-moving consumer markets.

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