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THE FMCG FACE-OFF: COMPARING PROFITABILITY AND LIQUIDITY OF INDIA'S LEADING COMPANIES

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ABSTRACT

This study examines the profitability and liquidity dynamics of five significant Indian FMCG companies: Britannia Industries, Nestlé India, Varun Beverages, ITC, and Hindustan Unilever Ltd. It tests for variances in financial performance using a one-way ANOVA. Quick Ratio, Current Ratio, Net Profit Ratio, Gross Profit Ratio, and Return on Capital Employed (ROCE) are used for the analysis of profitability and liquidity. Since the results demonstrated statistically significant variations in the current ratio and profitability indicators among the selected businesses, the null hypothesis for these variables is rejected. However, there was no appreciable change in the quick ratio. The findings show that short-term liquidity management (aside from inventory) is largely the same across organisations, despite differences in working capital management, pricing strategies, and operational efficiency.

Keywords: *FMCG; Profitability; Liquidity; Current ratio; Net profit ratio; Ratio analysis; ANOVA.*

1. Introduction

One of the most important and dynamic sectors of the Indian economy is the fast-moving consumer goods (FMCG) industry, which makes a substantial contribution to GDP, job creation, and general consumer demand. India has become one of the fastest-growing FMCG markets in the world due to a huge and expanding population, rising disposable incomes, rapid urbanisation, and changing consumer patterns. High sales volume, poor operating margins, fierce brand competition, and wide distribution networks that reach both urban and rural customers are the sector's defining characteristics.

Collectively known as the “Big Five” in India's FMCG industry, Hindustan Unilever Limited, ITC Limited, Nestlé India Limited, Varun Beverages, and Britannia Industries Limited dominate this thriving domain. These businesses control sizable market shares in a variety of product categories, such as beverages, packaged foods, personal care, household necessities, and health supplements. Supported by robust supply chain networks, ongoing product innovation, effective marketing campaigns, and high brand equity, they have proven resilient and adaptive in the face of shifting customer demands and competitive pressures. Their dominant position in the Indian FMCG market is further cemented by their steady expansion strategies, investment in rural penetration, and emphasis on premiumization and sustainability, which makes them perfect candidates for a comparative financial study.

2. Review of Literature

Patra (2025) studied the factors that influence the profitability of companies in the pharmaceutical sector listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) of India. The research is based on purely secondary data from the top six pharmaceutical companies over 15 years from 2010–2024. To fulfil the objective of the study, Quick Ratio (QR), Inventory Turnover Ratio (ITR), Working Capital Ratio (WC), and Debt–Equity (DE) are considered independent variables, Price–Book Value Ratio (PBV) is regarded as the control variable, and Return on Assets (ROA) is considered the dependent variable. To identify the factors that influence profitability, the study employs the Pearson correlation test, Hadri LM test, Kao and Pedroni test, Hausman test, and Breusch–Pagan/Cook–Weisberg test, and for the final result applies a random-effect model using Stata 17.00. The result depicts that ITR, DE, and PBV are the factors that have a significant impact on profitability (ROA). The empirical result also suggested that ITR and PBV have a positive influence on profitability, but DE has a negative influence.

Senthilkumar & Banu (2025) published an article on profitability analysis with reference to the fertilizer industry in India. The article provided a comprehensive overview of the industry and examined the profitability of three selected fertilizer companies over a five-year period. The study aims to identify trends, compare financial performance, and analyse key profitability ratios. The findings offer valuable insights into the economic health of the industry and support strategic recommendations for enhancing company-level performance. Data were collected from secondary sources and analysed using profitability ratios such as Net Profit Ratio, Return on Assets, and Return on Net Worth.

Patel & Ramanuj (2024) studied the profitability and liquidity of the IT sector of India. The study's major goal was to better understand the relationship between the liquidity ratio and profitability ratio for two selected Indian IT companies: TCS (Tata Consultancy Services) and Infosys. Data were collected from the selected companies' annual reports for a 10-year period, from March 2014 to March 2023. For statistical analysis, arithmetic mean and regression analysis were used. The liquidity ratio shows that TCS outperformed Infosys, as does the profitability ratio. Regression analysis results show that there is no connection between the liquidity ratio and the profitability ratio.

3. Objective

To understand and analyse the profitability and liquidity dynamics of selected FMCG companies of India.

4. Hypotheses

H01: Profitability of selected FMCG companies is statistically similar, with no significant difference observed among them.

H02: Liquidity of selected FMCG companies is statistically similar, with no significant difference observed among them.

5. Research Methodology

Universe

The universe of the study comprises all the FMCG companies working in India.

Population

As on 15th February 2026, FMCG companies listed on the BSE constitute the population for the study.

Sampling Design

From the defined population, the top five FMCG companies have been selected on the basis of market capitalization as on the above-mentioned date. The sample selection was done using the purposive sampling technique (a non-probability sampling technique).

Sampling Units

Table 1. Sampling Units — Top Five FMCG Companies by Market Capitalisation

Sr. No.	Company Name	Market Capitalisation (₹ crore)
1	Hindustan Unilever Ltd	541,627.78
2	ITC	393,104.57
3	Nestlé India	247,325.59
4	Varun Beverages	151,957.50
5	Britannia Industries	144,051.28

Source: www.screener.in

Period of the Study

The study covers a period of three years from 2022–23 to 2024–25.

Data Collection

The relevant secondary data has been collected from the Moneycontrol website.

Tools and Techniques

Ratio analysis has been applied as an accounting tool in the present study; in addition, graphical presentation and the ANOVA test have been used for further inferential analysis.

6. Data Analysis and Interpretation

6.1 Profitability Analysis

Table 2. Gross Profit Ratio (%)

Company / Year	2022–23	2023–24	2024–25
Hindustan Unilever Ltd	21.30	21.65	21.25
ITC	33.73	34.88	32.57
Nestlé India	21.13	21.65	20.95
Varun Beverages	24.75	28.13	29.38
Britannia Industries	16.30	17.29	16.06

Source: www.moneycontrol.com

Overall consistency during the study period is indicated in the gross profit ratios of the chosen FMCG companies. ITC continues to have the highest margins of any company, despite a minor drop in the last year. Better operational efficiency is shown in Varun Beverages' steady and notable progress. Nestlé India and Hindustan Unilever both maintain steady margins with few variations, demonstrating efficient cost control. Britannia Industries, on the other hand, reports marginally fluctuating margins across the period.

Table 3. Net Profit Ratio (%)

Company / Year	2022–23	2023–24	2024–25
Hindustan Unilever Ltd	16.84	16.72	17.31
ITC	28.39	31.20	50.77
Nestlé India	15.67	16.12	16.40
Varun Beverages	14.05	16.17	18.38
Britannia Industries	13.69	12.86	12.31

Source: www.moneycontrol.com

The net profit ratios show that the companies' performance varies. Particularly in 2024–25, ITC Ltd. exhibits a notable increase, suggesting remarkable profitability development. Over time, Varun Beverages Ltd. has shown consistent progress. The margins of Nestlé India Ltd. and Hindustan Unilever Ltd. remain steady with a little upward fluctuation. On the other hand, Britannia Industries Ltd. exhibits a slow downturn, which is indicative of lower net profitability during the time frame.

Table 4. Return on Capital Employed (ROCE) (%)

Company / Year	2022–23	2023–24	2024–25
Hindustan Unilever Ltd	26.36	27.59	28.97
ITC	36.56	36.50	38.34
Nestlé India	133.26	161.03	88.13
Varun Beverages	24.34	19.75	18.12
Britannia Industries	47.36	54.08	59.36

Source: www.moneycontrol.com

The capital efficiency of the chosen enterprises varies, according to the Return on Capital Employed (ROCE) research. Britannia Industries Ltd. shows steady and robust growth, which suggests better capital use. With a minor improvement, ITC Ltd. continues to generate excellent and consistent returns. Hindustan Unilever Ltd. exhibits consistent growth. Varun Beverages Ltd., on the other hand, is trending downward. With a steep drop in the last year, Nestlé India Ltd. exhibits a very high but erratic ROCE.

6.2 Liquidity Analysis

Table 5. Current Ratio

Company / Year	2022–23	2023–24	2024–25
Hindustan Unilever Ltd	0.72	0.70	0.68
ITC	1.61	1.71	1.67
Nestlé India	0.69	0.68	0.56
Varun Beverages	0.89	2.46	4.00
Britannia Industries	0.58	0.59	0.64

Source: www.moneycontrol.com

The companies' varying liquidity levels are revealed by the current ratio study. With ratios constantly above 1, ITC Ltd. keeps a solid and steady liquidity position. With a notable increase to 4.0 in 2024–25, Varun Beverages Ltd. demonstrates better short-term solvency. Relatively tighter liquidity is indicated by ratios below 1 that are trending downward for Hindustan Unilever Ltd. and Nestlé India Ltd. Despite a minor improvement, Britannia Industries Ltd. still falls short of the optimum standard.

Table 6. Quick Ratio

Company / Year	2022–23	2023–24	2024–25
Hindustan Unilever Ltd	0.54	0.55	0.54
ITC	0.89	0.87	0.74
Nestlé India	0.42	0.39	0.28
Varun Beverages	0.42	1.68	2.70
Britannia Industries	0.64	0.67	0.46

Source: www.moneycontrol.com

Hindustan Unilever consistently maintains a quick ratio between 0.54 and 0.55, which indicates steady but constrained short-term liquidity. From 0.89 to 0.74, ITC exhibits a downward trend, suggesting decreased short-term solvency. Nestlé India's ongoing decline points to constraining liquidity. After a minor improvement, Britannia Industries declines in the last year. On the other hand, Varun Beverages reports a significant improvement in its capacity to fulfil short-term obligations, as seen by a steep increase from 0.42 to 2.7.

7. Hypotheses Testing

The five FMCG firms' financial performance and liquidity ratios were compared using a one-way ANOVA test to determine whether there were any notable differences. The critical F-value of 3.47 at the 5% level of significance was compared to the computed F-values.

Table 7. Result of One-Way ANOVA (Single Factor)

Ratio	F	F critical	Result
Gross Profit Ratio	86.05	3.47	H0 rejected
Net Profit Ratio	9.01	3.47	H0 rejected
Return on Capital Employed	19.99	3.47	H0 rejected
Current Ratio	4.15	3.47	H0 rejected
Quick Ratio	2.65	3.47	H0 not rejected

Source: Computed in MS Excel.

8. Findings

Gross Profit Ratio. According to the ANOVA results, the computed F-value for the gross profit ratio (86.05) is substantially greater than the critical threshold (3.47). Thus, the null hypothesis is rejected. This suggests differences in pricing tactics, cost-control techniques, and manufacturing efficiency across the five FMCG companies, as well as a statistically significant variance in gross profitability.

Net Profit Ratio. Likewise, a computed F-value higher than the critical threshold is displayed by the Net Profit Ratio (9.01). The null hypothesis is thus rejected, suggesting that the chosen FMCG companies differ significantly in terms of net profitability. This illustrates variations in operational effectiveness and overall cost control.

Return on Capital Employed. ROCE (19.99) has a computed F-value that is much higher than the critical value. Consequently, the null hypothesis is rejected. This demonstrates that the businesses' effectiveness in using capital to produce profits varies greatly.

Current Ratio. The computed F-value for the Current Ratio (4.15) is likewise more than the critical value. Since there are notable variations in the five FMCG companies' short-term solvency positions, the null hypothesis is thus rejected.

Quick Ratio. The computed F-value for the Quick Ratio (2.65), however, is less than the critical value (3.47). The null hypothesis is not rejected as a result. This indicates that the five FMCG companies' immediate liquidity positions do not differ statistically significantly, suggesting that they keep liquid assets—aside from inventory—relatively similarly.

9. Conclusion

The study's overall conclusions show that the five top FMCG companies differ statistically significantly in terms of profitability and specific liquidity-management components. According to the one-way ANOVA results, there are notable disparities in pricing tactics, cost effectiveness, capital utilisation, and working-capital-management techniques across the organisations, as evidenced by the gross profit ratio, net profit ratio, return on capital employed, and current ratio. The quick ratio's lack of notable variations, however, indicates that the businesses retain immediate liquid assets—aside from inventory—according to comparatively similar guidelines. This is a typical industrial strategy for handling immediate financial commitments.

The chosen FMCG companies have quite different financial performance and liquidity strategies in terms of profitability and total solvency management, even if they operate in the same industry and competitive environment. In order to achieve exceptional financial performance in the FMCG sector, these variances emphasise the significance of effective operational management, strategic financial planning, and optimal capital utilisation.

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