International Journal of Creative and Open Research in Engineering and Management
ISSN: 3108-1754 (Online)
Volume 02 Issue 10 October-2026 | Impact Factor: 3.5



Financial Position and Cash-Flow Quality of Five Indian FMCG Companies, FY2024–FY2026: An Event-Adjusted Comparative Analysis

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How to Cite this Article:

Maid, R. & Kiran, B. (2026). Financial Position and Cash-Flow Quality of Five Indian FMCG Companies, FY2024–FY2026: An Event-Adjusted Comparative Analysis. International Journal of Creative and Open Research in Engineering and Management, 02(10), 1-9. https://doi.org/10.55041/ijcope.v2i10.216

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https://doi.org/10.55041/ijcope.v2i10.216

Abstract

Ratio analysis of published financial statements is the usual first step in equity and credit research, but textbook benchmarks and unadjusted headline figures can mislead when applied to firms with unusual business models or corporate events. This study compares five listed Indian FMCG companies (Hindustan Unilever [HUL], Britannia Industries, Dabur India, ITC and Nestlé India) over FY2024–FY2026, using balance-sheet, cash-flow and profit-and-loss data compiled in the author's internship report from an aggregator (Screener.in) and company disclosures. The analysis combines liquidity, solvency, efficiency, DuPont and cash-conversion measures with an explicit data-comparability audit. The audit found three distortions: Nestlé India's FY2024 covers fifteen months; HUL's FY2026 profit includes a one-time demerger gain of about ₹4,611 crore; and ITC's FY2025 profit includes a one-time gain of about ₹15,179 crore. After adjustment, HUL's FY2026 net margin is approximately 16% rather than the reported 23.4%, and Nestlé India's two-year revenue CAGR turns from −2.6% to roughly +9% when its fifteen-month FY2024 is annualised (a straight-line approximation). In every firm-year leverage is low (debt-to-equity of 0.52 or less) and operating cash flow is positive; current ratios below 1.0 coexist with strong cash generation, which is consistent with a supplier-financed working-capital model rather than distress. On a six-metric composite scorecard ITC ranks first and HUL second under all four specifications tested, Britannia ranks last, and only third and fourth places (Dabur and Nestlé India) change. The study is descriptive, covers five firms and three years, and relies on secondary data; most inputs were not independently verified against primary annual reports.

Keywords: financial statement analysis; FMCG; India; working capital; cash-flow quality; capital structure; DuPont analysis; non-recurring items

1. Introduction

1.1 Background and motivation

Fast-moving consumer goods (FMCG) companies sell branded, high-turnover products through large distribution networks. Their balance sheets usually look different from those of capital-intensive industries: customers pay quickly, suppliers extend credit, and surplus cash is returned to shareholders or placed in treasury investments. The five firms examined here nevertheless differ in portfolio (home and personal care; biscuits; Ayurveda-based health and



wellness; a diversified group with a large cigarette business; packaged foods and beverages), and in capital allocation. Two of them (HUL and Nestlé India) are subsidiaries of multinational groups. For example, the report records that Dabur's investments exceed half of its total assets in FY2026 while Nestlé India undertook a capacity-expansion cycle.

Because such firms are routinely screened using generic ratio benchmarks (a current ratio of 1.5–2.5, debt-to-equity below 1.5, an equity ratio above 40%), the risk of misclassification is real. A mechanical reading would flag four of the five companies as liquidity-stressed, although all five generate positive operating cash flow in every year studied.

1.2 Research problem

The problem addressed is that headline financial-statement ratios for Indian FMCG firms may give a distorted comparative picture for three reasons:

1. **Benchmark mismatch.** Textbook liquidity and solvency ranges were not designed for firms that operate with negative working capital by design.
2. **Event distortion.** Corporate actions and reporting changes (demergers, bonus issues, change of financial-year end) can alter single-year figures without any change in operating performance.
3. **Measurement ambiguity.** Aggregator line items (for example "other assets" and "other liabilities") are used as proxies for current items, and some metric definitions in the internship report cannot be reproduced.

The central question is therefore how the relative financial position of the five firms looks once benchmarks are interpreted in context and the identified distortions are adjusted for.

1.3 Research gap

A limited literature search found several Indian studies that compare listed FMCG companies using ratio analysis and, frequently, one-way ANOVA across firms, with emphasis on liquidity and profitability (see Section 2.6). To the extent this limited search can establish (a systematic review is still required), the abstracts and summaries seen for these studies (i) cover windows that end before FY2026, (ii) emphasise profitability and liquidity rather than integrating balance-sheet structure with cash-flow quality, and (iii) do not mention adjustment for corporate events or reporting-period changes. These are inferences from abstracts and not full texts, so the gap is provisional and a systematic search (for example in Scopus or Web of Science) would be needed to confirm it. This paper addresses that gap using FY2026 data and an explicit comparability audit.

1.4 Objectives

The research objectives of this paper are as follows:

- **O1.** To describe and compare capital structure, liquidity and asset efficiency of the five firms over FY2024–FY2026.
- **O2.** To assess whether low or negative working capital signals financial distress or a business-model feature, using cash-flow evidence.
- **O3.** To audit the comparability of the data and quantify how event and period adjustments change reported profitability, growth and rankings.
- **O4.** To build and stress-test a composite financial-strength scorecard.
- **O5.** To derive implications for investors, analysts and corporate finance managers from the answers to RQ1–RQ4 (no separate research question is needed).

1.5 Research questions

- **RQ1.** How do capital structure, liquidity and asset efficiency differ across the five firms, and how did they change over FY2024–FY2026?



- **RQ2.** Is negative or sub-benchmark working capital accompanied by weak cash generation, or by strong cash generation?
- **RQ3.** How much do reported net margins, growth rates and cash-conversion ratios change after adjustment for non-recurring gains and unequal reporting periods?
- **RQ4.** Is the ranking of the firms on a composite scorecard robust to those adjustments and to alternative metric sets?

1.6 Contribution and structure

The paper contributes (a) a three-statement comparison of five FMCG firms through FY2026, (b) a documented comparability audit that corrects several readings in the internship report, and (c) a sensitivity analysis of a composite ranking. Section 2 reviews the literature and states propositions; Section 3 sets out the methodology; Section 4 reports the data audit; Section 5 presents results; Sections 6–10 cover discussion, managerial implications, limitations, future scope and conclusion.

2. Literature Review

2.1 Ratio analysis and financial distress

The use of accounting ratios to evaluate firms has a long empirical tradition. Beaver (1966) showed that financial ratios, notably cash flow relative to total debt, discriminate between failed and non-failed firms. Altman (1968) combined five ratios, including working capital to total assets and retained earnings to total assets, into a discriminant score for manufacturing firms, and Ohlson (1980) later used a logit model for the same purpose. These models were developed on distress samples; their coefficients and cut-offs should not be applied mechanically to profitable consumer-goods firms. Nissim and Penman (2001) argue that ratio analysis is most informative when ratios are organised around profitability, growth and leverage drivers rather than read individually. Textbook treatments (Chandra, 2019; Pandey, 2015) supply the conventional benchmarks used in the internship report.

2.2 Capital structure and free cash flow

Modigliani and Miller (1958) show that capital structure is irrelevant to firm value under restrictive assumptions; real-world frictions explain observed choices. The pecking-order view (Myers, 1984) predicts that firms with ample internal funds borrow little, and Rajan and Zingales (1995) report that profitability is generally negatively associated with leverage in cross-country data. Jensen (1986) argues that large free cash flows create agency costs unless distributed to shareholders. These arguments suggest that highly profitable, cash-generative branded firms will show low debt and large financing outflows, which is what the internship report observes.

2.3 Working capital and liquidity

Deloof (2003) examined 1,009 large Belgian non-financial firms for 1992–1996 and related working-capital management to profitability. Shin and Soenen (1998) and Eljelly (2004) similarly report links between the cash conversion cycle, liquidity and profitability in US and Saudi samples respectively. Collectively this work treats working capital as a managed variable whose components are linked to profitability. It does not show that a current ratio below one is harmless. That reading rests on the textbook argument, adopted in the internship report's Chapter 4, that firms with strong bargaining power can finance operations through supplier credit (Pandey, 2015). Whether low liquidity is benign in this sample is therefore tested against cash-flow evidence in Section 5.

2.4 Cash flow and earnings quality

Dechow (1994) shows that earnings and cash flows measure performance differently because accruals correct timing and matching problems. Sloan (1996) finds that the accrual component



of earnings is less persistent than the cash component. Dechow and Dichev (2002) propose accrual quality as the degree to which accruals map into cash flows, and Dechow, Ge and Schrand (2010) review earnings-quality proxies. Lev and Thiagarajan (1993) document the value-relevance of fundamental signals extracted from financial statements. Collectively these studies support comparing operating cash flow with profit across several years, and they caution that a single-year ratio can be moved by timing or by non-cash gains.

2.5 DuPont analysis

Decomposing return on equity into net margin, asset turnover and the equity multiplier separates profitability, efficiency and leverage effects. Soliman (2008) studies how market participants use DuPont components. Because a firm can show a high return on equity through leverage, the decomposition is informative for firms with very different equity ratios, such as those in this sample.

2.6 Indian FMCG empirical studies

The following studies were located in a search but their authorship and full bibliographic details were not all visible, and they have not been read in full. They are cited only for the general focus and conclusions summarised in their abstracts.

- A 2025 study in the *International Journal of Management, Public Policy and Research* compares Britannia, Nestlé India, Varun Beverages, ITC and HUL on quick ratio, current ratio, net profit ratio, gross profit ratio and ROCE using one-way ANOVA ("The FMCG Face Off," 2025).
- A 2025 comparative study of HUL, Nestlé India, ITC and Britannia over 2020–21 to 2024–25 reports stable performance for Nestlé India and HUL, high but more variable returns for ITC, and efficient capital use with modest profitability for Britannia ("A Comparative Study on Profitability Analysis," 2025).
- A study of five FMCG firms (Britannia, Godrej Consumer, ITC, Marico, HUL) in the *ICTACT Journal on Management Studies* reports ITC in the strongest composite position on its ratio set ("Performance Evaluation of Leading FMCG Firms," n.d.).

These findings are loosely consistent with the present report's observations that HUL has the weakest current ratio of the five firms and that ITC is strongest overall; peer sets, periods and ratio definitions differ, so no stronger statement is made.

2.7 Synthesis and propositions

The literature suggests four propositions, assessed descriptively (not statistically) in Section 5:

- **P1.** Profitable, cash-generative FMCG firms will use little borrowing.
- **P2.** Low or negative working capital will coexist with positive operating cash flow rather than with weak cash generation.
- **P3.** Single-year profit and growth figures for firms with corporate events will materially misstate underlying performance until adjusted.
- **P4.** A composite ranking will be robust at the extremes but unstable in the middle.

3. Methodology

3.1 Research design

The study is descriptive and comparative, combining a cross-section of five firms with a three-year time series (15 firm-years). It uses secondary, quantitative data. Because there are only five firms, no inferential tests are run; propositions are evaluated against descriptive evidence.



3.2 Sample

The sample is purposive. The report states that the firms were chosen to span sub-segments and to meet a listing and three-year audited-data criterion. The sample is therefore not representative of the sector; firms such as Marico, Godrej Consumer, Emami and Patanjali are outside it.

3.3 Data sources and period

The data were first compiled in the author's On-the-Job Training (OJT) report at Prasuta Capital, referred to in this paper as "the internship report" or "the report". Balance-sheet items (equity capital, reserves, borrowings, other liabilities, fixed assets, capital work-in-progress, investments, other assets), cash-flow items and revenue and net profit were collected from Screener.in and, according to the report, cross-checked against annual reports and exchange filings. The report does not document the reconciliation; apart from the items listed in Table 4.1, the inputs were not independently checked. FY2026 denotes the year ended 31 March 2026.

3.4 Measures

Measure	Formula used	Comment
Current ratio	Other assets ÷ other liabilities	Aggregator proxy; mixes current and non-current items, so read directionally
Working capital	Other assets − other liabilities	Same limitation
Debt-to-equity	Borrowings ÷ total equity	Aggregator borrowings may include lease liabilities
Equity ratio	Total equity ÷ total assets	Total assets implied from the report's tables
Asset turnover	Revenue ÷ total assets	Year-end assets, not average
Net profit margin	Net profit ÷ revenue	Reported and event-adjusted versions
ROE (DuPont)	Net profit ÷ year-end equity = margin × turnover × (1 ÷ equity ratio)	Added in this study
Free cash flow	Reported values retained; interpreted as operating cash flow less capital expenditure	Report's stated formula (OCF − investing CF) does not reproduce its figures (Section 4)
CFO / operating profit	As reported	Denominator undefined; not reproducible
3-year CFO / net profit	Σ operating cash flow ÷ Σ net profit (event-adjusted)	Added as a transparent cash-conversion measure
Financing outflow / OCF	Financing cash flow ÷ operating cash flow	Indicates how much operating cash is returned or repaid
Revenue CAGR	(Revenue FY2026 ÷ Revenue FY2024)^(1/2) − 1	Two growth intervals

3.5 Adjustment protocol

Three adjustments are applied, with unadjusted figures always shown alongside: (a) **period-length adjustment**: Nestlé India's fifteen-month FY2024 income-statement and cash-flow items are scaled by 12/15 as a straight-line approximation; (b) **non-recurring gains**: the externally reported demerger gains are removed from HUL's FY2026 and ITC's FY2025 net profit; (c) **flagging** (not adjusting) of revenue-definition differences that cannot be resolved



without primary documents. Adjusted values are approximations and are labelled.

3.6 Composite scorecard and sensitivity

The internship report ranks the firms 1 (weakest) to 5 (strongest) on six metrics (equity ratio, debt-to-equity, CFO/operating profit, revenue CAGR, net margin, asset turnover) and sums the ranks. This design is replicated and then tested on four variants: original metrics; original metrics excluding asset turnover; adjusted metrics; and adjusted metrics excluding asset turnover (which reflects business model more than financial strength). Equal weights and ordinal ranks discard magnitude, which is a known limitation.

3.7 Internal consistency checks performed

The following were recomputed from the report's raw tables: debt-to-equity (exact match); net profit margins (match to one decimal place); revenue CAGRs (match); equity ratios using total assets implied by asset turnover (within 0.5 percentage points, consistent with rounding); the six-metric rank sums (all match); and the net change in cash implied by the three cash-flow components, which is modest relative to the flows in most firm-years but largest for HUL (+₹5,258 crore in FY2025; −₹3,495 crore in FY2026) and Nestlé India (−₹723 crore in FY2025;
+₹1,245 crore in FY2026) and were not checked against reported cash balances. For HUL, equity plus borrowings plus the "other liabilities" implied by the current ratio and working capital reproduces total assets to within 0.2%. These checks show the tables are arithmetically coherent. They do not show that the underlying inputs are correct.

4. Data Audit and Comparability

Three of the internship report's headline readings change once its data are checked: Nestlé India's revenue decline, HUL's margin jump and ITC's FY2025 profit. This section sets out what was verified, what was not, and how each comparability problem is treated in Section 5.

4.1 Verification status

The report states that Screener.in data were cross-checked against annual reports but does not document the reconciliation. For this paper, a limited set of figures was checked against company filings and press coverage of results. Table 4.1 shows the outcome. Everything not listed as checked should be treated as unverified.

Table 4.1. Verification status of key inputs (₹ crore unless stated)

Item	Report figure	External check	Status
Nestlé India equity, FY2025 and FY2026	4,117; 5,309	₹41,171.5 mn and ₹53,092.4 mn in the standalone results filed with the NSE (Nestlé India Limited, 2026)	Matches
Nestlé India net profit, FY2025 and FY2026	3,314; 3,545	Consistent with the same filing (standalone)	Matches
Nestlé India FY2024 reporting period	Treated as a full year	Fifteen-month period after a change of year-end (Business Standard, 2024)	Report treatment incorrect
Nestlé India bonus issue	Said to aid the equity-ratio improvement	1:1 bonus, record date 8 August 2025 (Angel One, 2025);	Report interpretation not supported



		share capital doubles in the filing but total equity is not changed by a bonus	
HUL net profit, FY2026	15,059	Reported in Q4 FY26 coverage (Outlook Business, 2026b)	Matches
HUL one-time gain, FY2026	Not mentioned; margin gain described as "earned operationally"	About ₹4,611 crore gain on the ice-cream (Kwality Wall's) demerger in Q3 FY26 (Outlook Business, 2026a)	Report interpretation not supported
ITC net profit, FY2025	35,052	One-time demerger-related gain of about ₹15,179 crore in the year (Analytics Insight, 2026)	Report notes a one-off; amount was not quantified
ITC net profit, FY2026	21,018	Coverage describes a fall of about 40% from FY2025, which is consistent	Partly checked
Britannia and Dabur, all lines	—	Not checked	Unverified
All FY2026 cash-flow lines, all five firms	—	Not checked	Unverified
Total assets, revenue definitions, consolidated versus standalone basis	Not stated	Not checked	Unresolved

Note. "Matches" means the figure agrees with the filing excerpt reviewed, not that a full statement-level audit was performed. Nestlé India's standalone and consolidated figures are assumed to coincide; this has not been confirmed. The accounting basis (consolidated or standalone) of the HUL, ITC, Britannia and Dabur figures is not stated in the report and was not confirmed.

4.2 Comparability issues and treatment

Table 4.2. Comparability issues and how they are treated

Issue	Evidence	Treatment in this paper	Effect
Nestlé India FY2024 covers 15 months	Business Standard (2024); report's FY2024 revenue of 24,394 and profit of 3,933 are consistent with a 15-month period	Income-statement and cash-flow items scaled by 12/15 (straight line); unscaled values also shown	Negative revenue CAGR and the FY2025 "setback" are largely artefacts; asset turnover fall is partly artefact
HUL FY2026 profit includes a one-time demerger gain	about ₹4,611 crore	Removed to give approximately 10,448; one secondary summary of company filings gives 10,652 for profit from	Net margin is about 16% rather than 23.4%; the report's claim of the "strongest single-year margin improvement" is



		continuing operations, which is not yet verified	not supported
ITC FY2025 profit includes a one-time demerger gain	about ₹15,179 crore	Removed to give approximately 19,873, assuming the gain is fully reflected in net profit (tax treatment unverified)	FY2025 margin about 26.4% rather than 46.5%; adjusted margin series is 30.6%, 26.4%, 26.7% rather than the "stable 27–31%" in the report
Other exceptional items	HUL's FY2025 comparison includes a gain on the Pureit sale; Nestlé India's profit before tax exceeds profit before exceptional items by about ₹291 crore (FY2025) and ₹121 crore (FY2026)	Not adjusted; flagged	Margins for these years may be modestly overstated
Revenue basis	HUL FY2026 revenue in the report is 64,468; a secondary summary gives 63,763 after the ice-cream demerger. ITC FY2024 revenue appears to include the hotels business.	Reported revenue used; CAGRs flagged as mixing bases	HUL and ITC growth rates are uncertain
Standalone versus consolidated	Not stated in the report	Not resolved	All cross-company comparisons carry this risk

4.3 Metric definitions that could not be reproduced

Free cash flow. The report defines free cash flow as operating cash flow minus investing cash flow, but its reported values do not follow that formula (Appendix A). They are consistent with operating cash flow minus capital expenditure, with implied capex of ₹204–2,132 crore in FY2026. Investing cash flow includes purchases and sales of investments and is not a measure of capex. Reported free cash flow is retained in this paper, interpreted as operating cash flow less capex, and the capex figures were not verified against each cash-flow statement.

CFO to operating profit. The report does not define "operating profit". For HUL, an operating cash flow of 10,999 and a ratio of 105% imply a denominator of about 10,475, well below any EBITDA measure for a company of HUL's scale. Operating cash flow is measured after tax, so a ratio near or above 100% would be unusual against EBITDA. The report's ratios therefore cannot be reproduced or interpreted as stated. This paper reports them as given in the source (Table 5.4) but bases its cash-quality conclusions on a transparent alternative: cumulative operating cash flow divided by cumulative net profit, adjusted for the one-off gains above.

Current ratio and working capital. These use the aggregator's "other assets" and "other liabilities", which combine current and non-current items. For Nestlé India in FY2026,



the implied "other liabilities" are about 57% of total assets. These figures are therefore proxies and are read directionally only. Dabur's investments of ₹8,947 crore are classified outside "other assets" in the report, so its current ratio probably understates liquidity if part of that balance is current. This was not checked against Dabur's balance sheet.

Asset turnover and ROE. Total assets are not given in the report; they were derived as revenue divided by the reported turnover and cross-checked against equity divided by the reported equity ratio. Year-end rather than average assets and equity are used because opening balances for FY2024 are unavailable. Debt is defined as the aggregator's "borrowings", which may include lease liabilities. This was not verified.

5. Data Analysis and Comparative Results

All figures are in ₹ crore for fiscal years ending 31 March, taken from the internship report unless stated otherwise. Accounting basis (consolidated or standalone) is unconfirmed (Section 4). Ratios in Tables 5.1–5.3 were recomputed and agree with the report.

5.1 Capital structure and solvency

Table 5.1. Debt-to-equity (times) and equity ratio (%), FY2024–FY2026

Company	D/E FY24	D/E FY25	D/E FY26	Equity ratio FY24	FY25	FY26
HUL	0.03	0.03	0.03	65.3	61.9	61.1
Britannia	0.52	0.29	0.27	43.4	49.3	52.5
Dabur	0.14	0.09	0.11	65.3	66.5	65.3
ITC	0.004	0.004	0.033	81.2	79.6	77.3
Nestlé India	0.10	0.28	0.08	31.7	33.4	39.7

Note. Debt is the aggregator's "borrowings" divided by total equity; equity ratio is total equity divided by total assets (derived, Section 4.3). Source: report Tables 7.1–7.10; checked arithmetically.

Leverage is low throughout. The highest D/E in any firm-year is Britannia's 0.52 in FY2024, and by FY2026 no firm exceeds 0.27, which is consistent with Proposition P1. Britannia shows the clearest deleveraging, with borrowings down from 2,065 to 1,380 and its equity ratio up from 43.4% to 52.5%. The FY2026 rise in borrowings from 1,247 to 1,380 is small, but it may or may not reverse the trend. ITC's borrowings rose from 285 to 2,399 in FY2026; this is immaterial against equity of 72,507 (D/E 0.033), though the direction is worth monitoring.

Nestlé India is the only firm below the 40% equity-ratio benchmark in all three years, yet its D/E is only 0.08–0.28. Its low equity ratio is therefore not a borrowing story. A more likely explanation is that distributions keep equity small relative to operating liabilities, which gives an equity multiplier of 2.5 in FY2026. The report's statement that Britannia has "the lowest equity ratio of the five" in FY2026 is incorrect; Nestlé India's is lower. The report's statement that the bonus issue aided Nestlé India's equity ratio is also unsupported: a bonus issue converts reserves into share capital and leaves total equity unchanged. The ratio improved because equity rose from 4,117 to 5,309 through retained earnings while total assets grew more slowly.



5.2 Liquidity and working capital

Table 5.2. Current ratio (times) and working capital (₹ crore), FY2024–FY2026

Company	Current ratio FY24	FY25	FY26	Working capital FY24	FY25	FY26
HUL	0.74	0.72	0.58	(6,692)	(8,104)	(12,450)
Britannia	1.09	0.92	1.00	281	(257)	(12)
Dabur	1.06	1.03	0.93	251	124	(317)
ITC	1.77	1.71	1.67	13,015	12,549	12,734
Nestlé India	0.71	0.71	0.77	(1,981)	(2,068)	(1,750)

Note. Aggregator proxies ("other assets" divided by "other liabilities"); not true current ratios (Section 4.3). Source: report; checked arithmetically.

In FY2026 four firms have current ratios of 1.00 or below and negative or near-zero working capital; only ITC exceeds the 1.5 textbook benchmark. A mechanical reading would classify four of five firms as liquidity-stressed. Yet operating cash flow is positive in all 15 firm-years, and the largest deteriorations (HUL, from 0.74 to 0.58, and Dabur, turning negative in FY2026) coincide with operating cash flow of ₹10,999 crore and ₹2,579 crore respectively. This supports Proposition P2 in a descriptive sense: low measured liquidity coexists with strong cash generation. It does not prove the cause. The report attributes it to supplier-credit bargaining power, but no payable, receivable or inventory days are available to test this (see Section 9).

Three cautions apply. First, the proxy mixes current and non-current items, so levels are not comparable with textbook ratios. Second, ITC's positive working capital reflects a diversified group with cigarettes, hotels (until the demerger), agri and paperboard businesses, and should not be compared directly with the more concentrated FMCG firms. Third, the report says negative working capital "emerges" in Britannia by FY2026, whereas the table shows it in FY2025 (−257); by FY2026 it is close to zero (−12).

5.3 Asset efficiency and DuPont decomposition

Table 5.3. Asset turnover and FY2026 DuPont decomposition

Company	Asset turnover FY24	FY25	FY26	Net margin FY26 (reported)	Equity multiplier FY26	ROE FY26 (reported)	ROE FY26 (adjusted)
HUL	0.79	0.79	0.81	23.4%	1.64	30.9%	21.4%
Britannia	1.85	2.03	1.97	13.2%	1.90	49.7%	49.7%
Dabur	0.82	0.77	0.75	14.2%	1.53	16.4%	16.4%
ITC	0.74	0.86	0.84	26.7%	1.29	29.0%	29.0%
Nestlé India	2.32	1.64	1.73	15.3%	2.52	66.8%	66.8%

Note. ROE is net profit divided by year-end equity and equals net margin × asset turnover × equity multiplier (1 ÷ equity ratio). The adjusted HUL figure removes about ₹4,611 crore of one-time gain. Nestlé India's FY2024 turnover uses 15-month revenue (annualised: about 1.86).

Britannia (1.97) and Nestlé India (1.73) turn assets over about twice as fast as the other three (0.75–0.84). Nestlé India's fall from 2.32 to 1.64 is partly a period artefact: annualising FY2024 revenue gives about 1.86, so about one third of the fall (0.22 of 0.68) remains. That remainder is



consistent with the 17% growth in implied total assets between FY2024 and FY2025 (10,515 to 12,318) during its capacity-expansion cycle. Dabur's turnover drifted down from 0.82 to 0.75 as its investment base grew. Return on equity differs mainly through turnover and the equity multiplier: Nestlé India's 66.8% rests on turnover and a multiplier of 2.5 on a small equity base, not on superior margins, and it should not be read as greater financial strength. The report's assertion that no firm relies on leverage to lift returns is correct for borrowings, but equity multipliers of 1.9 (Britannia) and 2.5 (Nestlé India) show reliance on non-debt liabilities.

5.4 Operating cash flow, free cash flow and cash conversion

Table 5.4. Cash-flow measures (₹ crore)

Company	OCF FY24	OCF FY25	OCF FY26	Reported FCF FY26	Implied capex FY26	Report's CFO/OP FY26	ΣOCF ÷ ΣNet profit, FY24–26 (adjusted)	FY26 financing outflow ÷ OCF
HUL	15,469	11,886	10,999	9,668	1,331	105%	122%	98%
Britannia	2,573	2,481	2,612	2,408	204	98%	112%	68%
Dabur	2,013	1,987	2,579	2,180	399	122%	121%	48%
ITC	17,179	17,627	18,464	16,332	2,132	91%	86%	87%
Nestlé India	4,175 (15 months)	2,936	5,048	4,221	827	115%	113%	63%

Note. Implied capex = OCF − reported FCF. Adjusted net profit excludes the HUL FY2026 and ITC FY2025 one-time gains (Table 4.2); Nestlé India's FY2024 numerator and denominator are both 15-month. The report's CFO/OP ratio is reproduced as given but its denominator is undefined (Section 4.3). Source: report; derived columns by the author.

Operating cash flow is positive in all 15 firm-years. Over the three years, cumulative operating cash flow exceeds cumulative adjusted net profit for HUL, Dabur, Nestlé India and Britannia (112–122%), which means reported profit has been backed by cash. ITC is the exception at 86%. The report attributes ITC's lower ratio to the working-capital needs of its foods business, but no evidence is presented for this. Other possible explanations include non-cash or non-operating items in profit and the timing of tax payments. These can be tested only from ITC's cash-flow statement notes.

Single-year ratios should be read cautiously. Dabur's FY2026 operating cash flow of 2,579 is 138% of its net profit, but this coincides with working capital falling by 441 (from 124 to −317), which is consistent with a timing benefit from higher payables rather than a durable improvement in cash quality. The report calls this "the strongest cash-quality signal in the study". Similarly, Nestlé India's ratio swings from 89% in FY2025 to 142% in FY2026. HUL's operating cash flow fell 28.9% from FY2024 to FY2026 while revenue rose, and the report does not explain why; its FY2024 level may include working-capital inflows.

Nestlé India's free cash flow rose from 932 to 4,221 in FY2026. Of the 3,289 improvement, about 1,177 came from lower implied capex (2,004 to 827) and about 2,112 from higher operating cash flow (2,936 to 5,048). The filing excerpt shows capital work-in-progress of 5,069.8 and 11,725.6 (₹ million) in its two columns, presumably FY2026 and FY2025, which would be consistent with the capacity build winding down (Nestlé India Limited, 2026). The column order was not confirmed.

Financing outflows absorb 98% (HUL) and 87% (ITC) of operating cash flow, against 48% for Dabur. This pattern fits the argument that mature, cash-rich firms return surplus cash (Jensen, 1986). Financing flows also include debt repayments and lease payments, so these ratios are not payout ratios.



5.5 Profitability and growth: reported versus adjusted

Table 5.5. Net profit margin (%) and revenue growth

Company	Margin FY24	Margin FY25	Margin FY26	Adjusted margin	Revenue CAGR FY24–26, reported	Revenue CAGR, adjusted
HUL	16.6	16.9	23.4	FY26 ≈ 16.2	2.05%	Basis uncertain
Britannia	12.7	12.1	13.2	—	6.87%	—
Dabur	14.6	13.8	14.2	—	3.13%	—
ITC	30.6	46.5	26.7	FY25 ≈ 26.4	7.72%	Basis uncertain
Nestlé India	16.1	16.4	15.3	—	−2.60%	≈ +8.9% (FY24 annualised)

Note. Margin = net profit ÷ revenue. Adjusted values per Table 4.2. CAGR is over two growth intervals. Net profit includes other income and non-recurring items; an EBITDA-based margin would be cleaner but needs verified data.

After adjustment, HUL's margin is about 16%, essentially flat against 16.6% and 16.9% in the previous years. The report's description of a "sharply improving margin profile" and the "strongest single-year margin improvement" is therefore not supported. ITC's adjusted margin series (30.6%, about 26.4%, 26.7%) shows a decline rather than the "stable 27–31%" described in the report, although ITC's margin remains well above all other firms (the next highest is HUL at about 16%). Britannia, Dabur and Nestlé India stay within narrow bands of about 12–16%.

For Nestlé India, annualising the 15-month FY2024 gives revenue of about 19,515 and net profit of about 3,146. Revenue then grows 3.5% in FY2025 and 14.6% in FY2026, and net profit grows 5.3% and 7.0%. The report's statements that Nestlé India had a revenue "fall" in FY2025 and is "the only company with a negative three-year revenue CAGR" are artefacts of comparing 15 months with 12. Straight-line scaling ignores seasonality, so a calendar-aligned or quarterly reconstruction would be preferable. HUL and ITC growth rates mix pre- and post-demerger revenue bases and are treated as indicative only.

5.6 Composite financial-strength scorecard and sensitivity

The internship report ranks the firms on six FY2026 metrics and sums the ranks. That design is retained here only as a transparent summary device, with its weaknesses stated. Each metric is ranked from 1 (least favourable) to 5 (most favourable) in the direction shown in Table 5.6; ranking is the only normalisation used, so magnitudes are lost; all metrics carry equal weight, which is an arbitrary choice and not a finding; and no missing values arise because all 30 inputs exist, although some are approximate (Table 4.2). Two features reduce its reliability. The equity ratio and debt-to-equity both describe capital structure, so leverage is effectively counted twice. Asset turnover mainly reflects business model, so a high turnover is not a sign of financial strength. The scorecard is therefore run in four variants: the report's original metrics, the original metrics without asset turnover, the adjusted metrics, and the adjusted metrics without asset turnover. In the adjusted variants, the report's CFO/OP ratio (not reproducible) is replaced by cumulative operating cash flow to adjusted net profit, and revenue growth for Nestlé India uses annualised FY2024 revenue.



Table 5.6. Metric ranks, adjusted variant (1 = least favourable, 5 = most favourable)

Metric (favourable direction)	HUL	Britannia	Dabur	ITC	Nestlé India
Equity ratio FY26 (higher)	3	2	4	5	1
Debt-to-equity FY26 (lower)	5	1	2	4	3
ΣOCF ÷ ΣNet profit, adjusted (higher)	5	2	4	1	3
Revenue CAGR, comparable basis (higher)	1	3	2	4	5
Net margin FY26, adjusted (higher)	4	1	2	5	3
Asset turnover FY26 (higher)	2	5	1	3	4
Total	**20**	**14**	**15**	**22**	**19**

Table 5.7. Composite totals under four specifications (maximum 30; 25 without asset turnover)

Specification	HUL	Britannia	Dabur	ITC	Nestlé India
Original metrics	19	15	17	23	16
Original, excluding asset turnover	17	10	16	20	12
Adjusted metrics	20	14	15	22	19
Adjusted, excluding asset turnover	18	9	14	19	15

Note. ITC is first and HUL second in all four specifications; Britannia is last in all four; Dabur and Nestlé India exchange third and fourth places. If Nestlé India's true annualised growth were only 5%, ITC (23) and HUL (20) would still lead the adjusted variant. The report's Table 7.14 totals (19, 15, 17, 23, 16) were reproduced from its ranks.

The ranking is robust at the top and bottom and sensitive in the middle (Proposition P4). It should be read as three tiers rather than five positions: ITC and HUL; Dabur and Nestlé India, whose totals differ by only one to four points; and Britannia. Britannia's last place reflects the highest leverage in the sample (0.27 times, still low in absolute terms) and the lowest net margin (13.2%), not financial weakness, and it has the clearest improving trend. ITC's lead rests on its equity ratio, margin and growth, and is partly a function of its diversified, cigarette-heavy business and its large equity base; it has the lowest cash conversion of the five. The ranking is a FY2026 snapshot for these five firms and is not a valuation or an investment recommendation.

6. Findings and Discussion

6.1 Findings by research question

RQ1: differences in capital structure, liquidity and efficiency. All five firms are conservatively financed. Debt-to-equity is at most 0.27 in FY2026, but equity ratios range from 39.7% (Nestlé India) to 77.3% (ITC), and the low end reflects non-debt liabilities and distributions, not borrowing. Britannia is the clearest deleveraging case. Four firms have current-ratio proxies at or below 1.0 in FY2026; only ITC is above 1.5. Britannia and Nestlé India turn assets over roughly twice as fast as the others.

RQ2: low liquidity and cash generation. Operating cash flow is positive in all 15 firm-years, and cumulative operating cash flow exceeds adjusted net profit for four of five firms. Low or negative measured working capital therefore coexists with strong cash generation. The measures are aggregator proxies and no working-capital cycle data were analysed, so the



explanation (supplier-financed operations) is plausible but untested.

RQ3: effect of adjustments. Adjustment changes several headline readings. HUL's FY2026 net margin falls from 23.4% to about 16.2%, and its FY2026 cash conversion from 73% of reported profit to about 105% of adjusted profit. ITC's FY2025 margin falls from 46.5% to about 26.4%. Nestlé India's two-year revenue CAGR moves from −2.6% to about +8.9%, and its FY2025 revenue "decline" becomes growth of about 3.5%. These adjustments rest on externally reported one-off gains and a straight-line annualisation, and are approximate.

RQ4: robustness of the ranking. ITC ranks first, HUL second and Britannia last under all four scorecard specifications; Dabur and Nestlé India swap third and fourth. The result is a coarse tiering, not a precise ordering.

Table 6.1. Assessment of propositions

Proposition	Evidence	Assessment
P1: little borrowing	Maximum D/E 0.52 (FY2024), at most 0.27 in FY2026	Supported
P2: low liquidity with positive cash flow	Positive OCF in 15 of 15 firm-years; current-ratio proxies at or below 1.0 for four firms in FY2026	Supported descriptively; mechanism untested
P3: events distort single-year figures	HUL margin, ITC FY2025 profit, Nestlé India growth change materially	Supported
P4: ranking robust at extremes, unstable in the middle	Top two and bottom one unchanged across four variants; third and fourth swap	Supported, with a narrower middle than anticipated

6.2 Discussion in relation to previous research

The low leverage observed is consistent with the pecking-order view that firms with abundant internal funds borrow little (Myers, 1984) and with the finding that profitable firms tend to carry less debt (Rajan & Zingales, 1995). The large financing outflows relative to operating cash flow at HUL and ITC fit Jensen's (1986) argument that surplus cash is distributed rather than retained, although the financing line also includes debt and lease flows.

The coexistence of sub-benchmark liquidity and positive cash flow agrees with the view that working capital is a managed choice (Deloof, 2003), but this study cannot confirm that view because it does not measure receivable, inventory and payable days. The caution against mechanical benchmarks is therefore an inference from cash-flow evidence, not an empirical result about the working-capital cycle.

The HUL case illustrates the earnings-quality literature's warning that profit and cash flow measure different things (Dechow, 1994; Sloan, 1996). Reported FY2026 profit of 15,059 includes a non-cash demerger gain, and operating cash flow was only 73% of it; after removing the gain, the ratio is about 105%. This shows that a low cash-conversion ratio can reflect a non-recurring accounting gain and not weak earnings quality, while a high one (Dabur, 138%) may reflect timing. It also supports the argument that ratio analysis should be organised around underlying drivers, not read ratio by ratio (Nissim & Penman, 2001).

Indian studies of listed FMCG firms report ITC in a strong composite position and emphasise liquidity and profitability ("Performance Evaluation of Leading FMCG Firms," n.d.; "The FMCG Face Off," 2025). The present ranking is loosely consistent with that, but those studies were not read in full, use different peer sets and periods, and their treatment of one-off items is



unknown. The contribution of this paper is not a different ranking. It is the demonstration that three specific distortions in FY2024–FY2026 data change several headline conclusions, and that the ranking at the extremes survives them.

6.3 Corrections to the internship report's conclusions

The analysis does not support the report's statements that HUL's margin gain was "earned operationally", that Nestlé India had a negative revenue trend, that its bonus issue aided its equity ratio, that ITC's adjusted margin was stable at 27–31%, or that Britannia has the lowest equity ratio. It also does not support describing Dabur's FY2026 cash conversion as the strongest quality signal without checking working-capital timing. The report's conclusions that leverage is low, that low current ratios are not by themselves distress, and that ITC has the strongest financial position on the scorecard are retained, with the qualifications above.

7. Managerial and Investor Implications

These implications follow from the analysis and are not investment advice.

For analysts and investors. First, read generic ratio benchmarks in the context of the business model; sub-benchmark current ratios at firms with positive operating cash flow call for investigation of the working-capital cycle, not automatic classification as distressed. Second, check the notes for demergers, exceptional items and period changes before comparing years or firms; in this sample such events moved a net margin by about 7 percentage points (HUL) and about 20 points (ITC in FY2025). Third, compare several years of operating cash flow with adjusted profit rather than relying on one year's ratio. Fourth, treat ITC as a conglomerate in peer comparisons.

For corporate finance managers. Disclosing profit before and after exceptional items and aligning reporting periods in multi-year tables would reduce the need for external adjustment. Managers of firms with falling operating cash flow (HUL over FY2024–FY2026) should explain the drivers, since the data do not reveal them.

For the host organisation's research process. The audit suggests a standing checklist: a log of corporate events for each company, confirmation of the reporting period and accounting basis, a written definition of every ratio, reconciliation of aggregator data with primary filings, and sensitivity testing of any composite ranking. These supplement the process recommendations in the internship report's Chapter 11.

8. Limitations

The study covers five purposively selected firms over three years, so its findings cannot be generalised to the Indian FMCG sector, and no statistical inference is attempted. The data are secondary and largely from an aggregator; only a few inputs were checked against filings (Table 4.1), the accounting basis of most figures is unconfirmed, and Britannia and Dabur were not checked at all. Several measures are proxies: the current ratio and working capital use aggregated line items, debt may include lease liabilities, asset turnover and ROE use year-end balances, and free cash flow depends on implied capex. The event adjustments are approximate: the straight-line annualisation of Nestlé India's fifteen-month year ignores seasonality, and the tax treatment of the HUL and ITC gains is unverified. Other exceptional items were not adjusted. The composite scorecard uses equal weights and ordinal ranks, which discard magnitude. The literature review is based on a limited search, several references have not been re-verified, and the Indian studies were not read in full. ITC's diversified business limits direct comparison with the other four firms. The analysis was produced by a single analyst without independent review, and valuation is outside its scope.



9. Suggestions for Future Research

Future work could (a) extend the window to five or ten years and add firms such as Marico, Godrej Consumer and Emami; (b) rebuild all measures from audited statements, using consistent consolidated data and average balances; (c) measure the cash conversion cycle through receivable, inventory and payable days, which would allow the supplier-financing explanation to be tested; (d) use EBITDA or operating-profit margins with verified definitions; (e) use segment data to separate ITC's FMCG business from its other businesses; (f) reconstruct Nestlé India's FY2024 on a calendar-aligned basis from quarterly results; and (g) with a larger sample, test the relationships among leverage, liquidity and profitability using panel methods, while recognising the power limits of small samples.

10. Conclusion

This study compared the financial position and cash-flow quality of five Indian FMCG firms over FY2024–FY2026 and tested whether headline figures survive scrutiny of comparability. All five firms are conservatively financed, with debt-to-equity of 0.27 or less in FY2026, and all generated positive operating cash flow in every year (RQ1, RQ2). Liquidity proxies at or below
1.0 for four firms do not indicate distress on the evidence available, although the mechanism could not be tested. Three data issues materially altered the picture: Nestlé India's fifteen-month FY2024, HUL's one-time demerger gain in FY2026, and ITC's one-time gain in FY2025. After adjustment, HUL's FY2026 margin is about 16% and not 23.4%, ITC's FY2025 margin is about 26% and not 46.5%, and Nestlé India's revenue and profit grow instead of declining (RQ3). On a transparent six-metric scorecard, ITC ranks first, HUL second and Britannia last under every specification tested, while Dabur and Nestlé India exchange third and fourth, so the ranking is a coarse tiering (RQ4). These conclusions are conditional on the data limitations in Section 8 and Appendix C, in particular the unconfirmed accounting basis, the lack of primary-source confirmation for most inputs, and the approximate adjustments.

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Appendix A. Free cash flow reconciliation (₹ crore)

The report's stated formula (operating cash flow minus investing cash flow) does not reproduce its reported free cash flow. The implied capex column assumes reported FCF = OCF − capex.

Company	FY	OCF	Investing CF	OCF − investing CF	Reported FCF	Implied capex
HUL	FY24	15,469	−5,324	20,793	14,012	1,457
HUL	FY25	11,886	6,473	5,413	10,624	1,262
HUL	FY26	10,999	−3,684	14,683	9,668	1,331
Britannia	FY24	2,573	485	2,088	2,085	488
Britannia	FY25	2,481	87	2,394	2,110	371
Britannia	FY26	2,612	−757	3,369	2,408	204
Dabur	FY24	2,013	−971	2,984	1,453	560
Dabur	FY25	1,987	−448	2,435	1,448	539
Dabur	FY26	2,579	−1,285	3,864	2,180	399
ITC	FY24	17,179	1,563	15,616	13,724	3,455
ITC	FY25	17,627	−564	18,191	15,524	2,103
ITC	FY26	18,464	−2,321	20,785	16,332	2,132
Nestlé India	FY24 (15 months)	4,175	−1,237	5,412	2,296	1,879
Nestlé India	FY25	2,936	−1,811	4,747	932	2,004
Nestlé India	FY26	5,048	−624	5,672	4,221	827

Appendix B. Adjustment calculations

- **Nestlé India FY2024 (annualised ×12/15):** revenue 24,394 → 19,515; net profit 3,933 → 3,146; implied total assets 24,394 ÷ 2.32 = 10,515; annualised asset turnover 19,515 ÷ 10,515 = 1.86; revenue CAGR (23,155 ÷ 19,515)^(1/2) − 1 = 8.9%; FY2025 growth 20,202 ÷ 19,515 − 1 = 3.5%; FY2026 growth 23,155 ÷ 20,202 − 1 = 14.6%.
- **HUL FY2026:** adjusted net profit 15,059 − 4,611 = 10,448; margin 10,448 ÷ 64,468 = 16.2%; adjusted ROE 10,448 ÷ 48,739 = 21.4%; operating cash flow ÷ reported profit 10,999 ÷ 15,059 = 73%; ÷ adjusted profit = 105%.
- **ITC FY2025:** adjusted net profit 35,052 − 15,179 = 19,873; margin 19,873 ÷ 75,323 = 26.4%.
- **Cumulative cash conversion (ΣOCF ÷ ΣNet profit, FY2024–26):** HUL 38,354 ÷ 31,401 = 122%; Britannia 7,666 ÷ 6,849 = 112%; Dabur 6,579 ÷ 5,420 = 121%; ITC 53,270



÷ 61,642
= 86%; Nestlé India 12,159 ÷ 10,792 = 113%.

- **Dabur FY2026 working-capital change:** 124 → (317) = −441. **Financing outflow ÷ OCF, FY2026:** HUL 98%, ITC 87%, Britannia 68%, Nestlé India 63%, Dabur 48%.
- **Implied total assets:** revenue ÷ reported asset turnover; equity ratio checked as equity ÷ implied total assets (differences of 0.4 percentage points or less).

Appendix C. Data sources and verification note

The financial data in Sections 4–5 were compiled in the author's internship report from Screener.in and company disclosures for FY2024–FY2026. For this paper, the following items were additionally checked against external sources: the fifteen-month length of Nestlé India's FY2024; Nestlé India's FY2025 and FY2026 equity and net profit (stock-exchange filing); Nestlé India's 1:1 bonus issue; HUL's FY2026 net profit and its one-time demerger gain of about ₹4,611 crore; and ITC's one-time FY2025 demerger-related gain of about ₹15,179 crore. All other inputs, including all Britannia and Dabur figures and all FY2026 cash-flow lines, were taken from the internship report and were not independently verified against audited annual reports. The accounting basis (consolidated or standalone), the capital-expenditure figures underlying free cash flow, and the definition of operating profit in the CFO-to-operating-profit ratio were not available. Derived and adjusted figures (Appendices A and B) are only as reliable as these inputs. Readers should treat the results as a comparative analysis based on secondary data.