



# A STUDY ON FINANCIAL PERFORMANCE OF INDIAN TOBACCO CORPORATION LIMITED

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## ABSTRACT

Finance is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium or small, needs finance to carry on its operations and to achieve its targets. The study used five years of Indian Tobacco Corporation Limited company data and the main objective of the study is to know the financial position of the company and to find out the efficiency of financial operations. The tools used for the study are liquidity ratio, profitability ratio and activity ratio. The suggestion given is that the management of the company should take adequate actions to maintain their absolute liquid assets to pay off its current debts.

**KEYWORDS:** Profitability ratio, operating efficiency, financial position.

## 1. INTRODUCTION

Finance is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium or small, needs finance to carry on its operations and to achieve its targets. Finance is so indispensable today that it is rightly said to be the life hood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives.

The term "BUSINESS FINANCE" connotes finance of business activities. Ratio analysis is one of the techniques of financial analysis where ratios are used as a yardstick for evaluating the financial condition and performance of the firm. Analysis and interpretation of various accounting ratios gives a skilled and experienced analyst, a better understanding of financial conditions and performance of the firm than what he could have obtained only through a perusal of financial statements.

## 2. STATEMENT OF THE PROBLEM

This study titled "A study on financial Performance Analysis of Indian Tobacco Company Limited". The information that are mainly derived from Profit and loss account and balance sheet and it refers to a treatment of the information contained in the ratio analysis as to afford diagnosis of the profitability and financial soundness of the company. A number of methods or derives are used to study the relationship between different statement.

## 3. OBJECTIVES OF THE STUDY

- To know the financial position of the Indian Tobacco Corporation Limited.
- To find out the efficiency of financial operations.
- To analyze the profitability position.

## 4. RESEARCH METHODOLOGY

Source of data	Secondary data
Period of study	2015-2016 to 2019-2020
Framework of analysis	Financial statements
Tools and techniques	Ratio analysis



## 5. STATISTICAL TOOLS

The following statistical tools were applied to analyse the statistical data collected for calculation of financial performance analysis.

### 1. LIQUIDITY RATIO

- Current Ratio
- Liquid Ratio
- Absolute Liquid Ratio

### 2. PROPRIETARY RATIO

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Operating Ratio

### 3. ACTIVITY RATIO

- Capital Turnover Ratio
- Fixed asset Turnover Ratio

## 6. REVIEW OF LITERATURE

**DR.R. MALINI AND DR.A. MEHARAJ BANU (2019)** this study is concentrated on the “Financial performance analysis of Indian Tobacco Corporation limited”. The objective of this study is to know financial position of the Indian Tobacco Corporate Limited. It concludes that the financial performance of Indian Tobacco Corporation Limited for a period of five years from 2013 to 2017, the study strongly reveals that the financial performance is better. However, it needs to minimize the operating expenses to get high net profit.

**AYAN CHAKRABORTY (2017)** this study is concentrated on the “Impact of leverage & coverage ratios on ITC Ltd”. The objective of this study is to know the overall operating efficiency and performance of the firm through financial analysis. It concluded that the ITC Ltd is also using the financial leverage effectively thereby increasing the earning of the shareholders. Finally, it is concluded that the company should improve its debt equity ratio in order to have better trading on equity position and reframe its capital structure for further development.

**ARITRA RANJAN DAS (2018)** this study is concentrated on the “Financial Performance of Steel Industry in India”. The objective of the study is to analyze the financial performance of the steel industry of India by selecting few identified units with regard to profitability, liquidity, solvency and

efficiency. This study concludes that the approval of the resolution plans by Committee of Creditors of the ailing steel companies under IBC 2016 is expected to provide fillip to the steel sector and also help the financial companies to get rid of the distressed assets from their balance sheet. Lastly the policies adopted by Government of India under National Steel Policy (2017) and Policy on Preference to Domestically Manufactured Iron and Steel Products is expected to provide the much necessary impetus to the iron and steel sector of the country.

## 7. FINDINGS

- The current ratio shows highest level of growth in 2019-2020 at 4.01:1 and lowest level of growth in 2015-2016 at 1.65:1
- The liquid ratio has highest growth in 2019-2020 at 3.13:1 and lowest level of growth in 2015-2016 at 1.07:1.
- The absolute liquid ratio has highest growth in 2019-2020 at 0.75:1 and the lowest level of growth in 2017-2018 at 0.29:1.
- The gross profit ratio has high level of performance in 2014-2015 at 39.09% and lowest growth in 2016-2017 at 33.77%.
- The net profit ratio has high level of performance in 2019-2020 at 33.17% and lowest growth in 2016-2017 at 25.45%.

## 8. SUGGESTIONS

The performance of Indian Tobacco Company limited during the period of study was found good and some minor weakness that holds up the massive performance for the company

- As the current ratio is good than the ideal ratio, still they should take necessary actions to retain the inventories and other receivable accounts for an extended time.
- The management of the company should take adequate actions to maintain their absolute liquid assets to pay off its current debts.
- As the operation profit of the company is somehow good they should decrease their expenses to get massive profit.
- The company should concentrate in boosting the capital turnover ratio as the higher the capital turnover ratio better will be the situation.



## 9. CONCLUSION

The main aim of this study is to analyse the financial position of Indian Tobacco Company with the help of 6 years (2014-2015 to 2019-2020) and collected data about ITC LTD, used analytical research design and analysed that the financial performance of business the is good. For Future growth, they have to increases the performance level and they should reduce the cash outflow and expenses. Then they should concentrate on increasing their turnover and profit which helps to increase financial performance of the business.

## 10. REFERENCE

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