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A STUDY ON FINANCIAL PERFORMANCE OF ITC LTD

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ABSTRACT

A leading Indian conglomerate operating in various sectors such as Fast-Moving Consumer Goods (FMCG), Hotels, Paperboards and Packaging, Agri Business, and Information Technology. The research utilizes secondary data from the company's annual reports, financial statements, and other relevant sources for a period of five years from 2017 to 2021. The study evaluates the company's profitability, liquidity, solvency, and efficiency ratios to assess its financial performance. Additionally, the study analyzes the trends and patterns in the financial statements and provides insights into the company's financial strengths and weaknesses. The results of the study provide a comprehensive understanding of ITC Ltd's financial performance and highlight the key drivers of its profitability and growth over the years.

INTRODUCTION

The concept of finance may include capital, funds, money and amount. But each word has a unique meaning. A broad range of subfields within finance exist due to its wide scope. Asset, money, risk and investment management aim to maximize value and minimize volatility. Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the connection between the things of record and profit and loss account. It also helps in short-term and long run forecasting and growth are often identified with the assistance of economic performance analysis. The analysis of an economic statement could be a process of evaluating the connection between the component parts of the economic statement to get a far better understanding of the firm's position and performance.

STATEMENT OF THE PROBLEM

Financial statement analysis is an important tool for measuring the financial performance of the company. These days analysis and interpretation of financial statements is a regular exercise to review the performance of the companies. Nowadays risk in every company is increasing day to day and the requirement of finance is more to run the business. Hence there is a need for every organization to evaluate their performance each year in order to capture a place in the market. Ratios have proven to be an effective and a very powerful analytical tool useful for measuring performance of an organization. Thus this study investigates the performance for ITC limited with the last five years financial statement.

OBJECTIVES OF THE STUDY

1. To measure ITC's overall profitability.
2. To evaluate a company's ability to meet its short-term debt obligations.
3. To evaluate the company's financial health and stability and to evaluate the effectiveness of management.

METHODOLOGY OF THE STUDY

An Analytical research design is chosen for the study. This research is conducted to find out facts about the given topic from the answers obtained develop new and useful ways during things.

TOOLS

✓ Ratio analysis

REVIEW OF LITERATURE

- **Mr. A. David, Ms. T. Madhumitha (2021),** This deals with the financial strength and weakness of the business concern accurately establishing a relationship between the balance sheet and income statement. The objective of the study is to present key findings of the study and to make suitable suggestions for the further successful survival of the company. This study suggests the company should take effective measures to create more cash reserves to pay off its debts. They should increase their short-term liquidity of the company, it helps to pay off the current dues. Finally, the study reveals there was gradual rise and fall in the growth of the company during the study period. Secondary data were used for analysing the financial performance.
- **Dr. R. Mayilsamy , Ms. C. Anushia (2021),** Financial statements are often audited by government agencies, accountants, firms etc., to ensure accuracy and for tax, financing or investing purpose.The objective of the study is to view the growth of the Pricol limited by comparing the past year's balance sheet and evaluate financial performance through ratio analysis. This suggests the management should make the proper use of current assets to increase the profit of the company. Thus, the findings and recommendations which will be helpful for the development and improvement of the company. Finally, the author concludes that the company's performance is good and there is a gradual decrease in the working capital of the company.

ANALYSIS AND INTERPRETATION

Year	Operating Profit	Current ratio	Quick ratio	Cash Ratio	ROA	ROE	Proprietary
2018	37.94	2.85	2.03	0.31	0.18	0.21	1.98
2019	38.07	3.17	2.38	0.41	0.18	0.21	1.86
2020	38.98	4.13	3.19	0.76	0.20	0.23	1.65
2021	34.51	3.27	2.29	0.43	0.18	0.22	1.72
2022	34.05	2.81	1.91	0.38	0.20	0.24	1.82

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

LIQUIDITY RATIO

1. A current ratio higher than the industry average indicates that the management may not be using its assets efficiently.
2. The company has enough liquid assets to cover its short-term obligations.
3. The quick ratio shows that the company's ability to pay off its short-term obligations without relying on inventory has also decreased over the years, from 3.19 in 2019-2020 to 1.91 in 2021-2022. The company's liquidity position has been fluctuating over the years.

PROFITABILITY RATIO

1. The net profit ratio shows that the company's ability to generate profits has been
2. Consistent over the years, ranging from 25.10% to 30.97%.
3. The operating profit ratio shows that the company's ability to generate profits from its operations has been consistent over the years, ranging from 34.05% to 38.98%.
4. The return on assets (ROA) has been improving, with an increase in 2019-2020 and 2021-2022, indicating that the company has become more efficient in using its assets to generate profits.
5. The return on equity (ROE) ratio shows that the company's ability to generate profits from shareholder's equity has been consistent over the years, ranging from 0.21 to 0.24.

SOLVENCY RATIO

1. The decreasing trend in the debt-to-equity ratio and debt-to-asset ratio in the earlier years followed by an increasing trend in recent years suggests that the company has been relying more on debt financing in recent years.
2. The increasing trend in the proprietary ratio suggests that the company has also been relying more on equity financing to acquire its assets.

ACTIVITY RATIO

1. Total assets turnover ratio: The ratio fluctuated over the years, with a high of 1.64 in 2017-2018 and a low of 1.25 in 2019-2020. However, the ratio increased to 1.77 in 2021-2022, indicating that the company is utilizing its assets more efficiently to generate revenue.

2. Fixed assets turnover ratio: The ratio increased from 1.99 in 2017-2018 to 2.07 in 2018-2019, but then decreased to 1.85 in 2020-2021. However, the ratio increased significantly to 2.27 in 2021-2022, indicating that the company is using its fixed assets more effectively to generate revenue.
3. Return on assets turnover ratio: The ratio decreased from 0.42 in 2017-2018 to 0.37 in 2020-2021, indicating that the company's profitability in relation to its total assets decreased. However, the ratio increased to 0.44 in 2021-2022, indicating that the company is generating more profit per unit of total assets.

SUGGESTIONS

1. The company's profitability has been fluctuating over the years, indicating a need for management to implement effective cost control measures.
2. The company could consider strategies such as improving its sales and marketing efforts or optimizing its asset utilization.
3. The company could consider reducing its operating costs to improve its profitability.
4. The company could consider to make policy changes and improve the incentives for employee which may help the company to improve its operational activities.
5. The company could improve its efficiency in using its assets to generate more revenue

CONCLUSION

In this study, the company has shown consistent growth over the years. The financial statements reveal that the company has been able to generate significant revenue, maintain healthy profitability, and generate positive cash flows. The company has been able to fund its growth through its well-articulated management, which is a positive sign for investors. Overall, the financial performance of ITC is impressive, and the company is well-positioned for future growth. However, it is important to note that the company operates in a highly competitive industry, and there are various risks associated with its business operations. Therefore, investors should conduct a thorough analysis of the company's financial performance and future growth prospects before making any investment decisions.

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