FINANCIAL PERFORMANCE ANALYSIS OF ITC USING RATIOS

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Abstract Monetary execution investigation may be a strategy of deciding the budgetary wellbeing of a company by legitimately building up the connections between adjust sheet and salary explanation things. Budgetary execution examination makes a difference both short-term and long-term figures and can be utilized to distinguish development. Analysts look for to degree a company's dissolvability, liquidity, productivity, and other pointers in a coherent and customary manner in arrange to decide its adequacy. The method of looking at a company's money related explanations to create choices is called money related explanation investigation. Monetary execution investigation includes looking at and translating budgetary articulations in a way that completely analyzes a company's monetary execution and benefit. Monetary explanation investigation instrument. The generally reason of this ponder is to get it the money related position of ITC's commerce over a period of time.

Index Terms - Ratio , financial analysis of FMCG, ratio analysis, ITC financial performance

INTRODUCTION

Every one of them knows what ITC is. It is basically a Fact and leading tobacco producer of India. A conglomerate is a type of corporation that consists of several various, occasionally unrelated enterprises. In a conglomerate, one larger corporation holds a controlling interest in 17 or more smaller businesses, each of which operates independently. Conglomerates are simply two or more companies combined into one corporate structure. This creates a corporate group made up of various subsidiaries and a single parent firm. In contrast, it is common practice for a conglomerate's companies to diversify their operations, and typically, these organizations exhibit a multi-industry corporate structure. These business arrangements frequently have global reach.

Conglomerates were common in the 1960s because the idea of a corporate structure itself served as a symbol of power. Due to this, these conglomerates. A company's return on investment (ROI) was its true worth. As a result, the target company was considered to be growing if its profits exceeded its loan interest payments. In the money market and capital market, a conglomerate also had and could take out loans and buy more businesses than a smaller company. Because these conglomerates were regarded as the industry's giants, this allowed them to increase their stock prices for many years. Investing in these corporate structures was seen as safe by many investors. According to the findings of the study, these conglomerates improve the company's performance because they were able to raise funds through the stock (Papers et al., n.d.).

Around the center of the 20th century, a arrangement of expansion energized the creation of various combinations, especially as businesses looked for to buy disconnected businesses whose products and administrations may be way better able to outlive financial slowdowns. A holding enterprise from that time period, just like the outdated ITT Company or Inlet + Western, may have held possessions in lodgings, motion picture theaters, phone benefit, and protections. Amid the late 19th and early 20th centuries, industry union was encouraged by worldwide competition, as prove by mergers between major companies within the managing an account, car, broadcast communications, computer, retail, and excitement divisions. The Firm had unassuming beginnings. The Company's operations were centred on a leased office on Radha Bazar Path in Kolkata. On Admirable 24, 1926, the Enterprise paid Rs 310,000 for the arrive tract at 37, Chowringhee, Kolkata (presently known as J.L. Nehru Street), in respect of its 16th birthday. The Company's choice was pivotal in a number of regards. It was to serve as the begin of a extended and energizing trip into India's future. Two a long time afterward, the Company's base camp building, known as "Virginia House," was developed on that piece of property and would go on to gotten to be one of Kolkata's most unmistakable landmarks. (ITC LIMITED, 2023)

REVIEW OF LITERATURE

The ponder approximately the monetary wellbeing of the organization was inspected utilizing a few proportions, the cruel, root cruel square deviation, and altman score , The investigation finds a positive affiliation between liquidity and productivity measurements, with the exemption of return on add up to resources and Z score esteem, which both point to a sound trade. (Mohan, Vasu, Narayana, & Aswatha.T, 2021)

The creator tries to analyze the qualities and shortcomings of Maruti Suzuki Co. and how each has influenced its advertise share in India. Auxiliary information for this consider was collected from yearly reports, exchange distributions, and vehicle distribution websites. This result appears that MSL has effectively driven the Indian car industry in later a long time.
(Harpreet, 2016)

The most objective of this think about is to survey the practicality, solidness, and benefit of Drive Engines Constrained. Different money related instruments, counting benefit proportions, dissolvability proportions, comparative explanations, and graphs, were utilized to assess the company's operational status. The evaluation uncovered that the company has satisfactory assets to meet its commitments and obligations. To advance make strides its money related execution, the company can diminish its authoritative, offering, and operational costs. (Ravichandran, & Subramanium, & Venkata., 2016).

This analyst conducted a ponder on Indian automakers and utilized measurable strategies such as proportion investigation, cruel, standard deviation, and relationship to assess their monetary wellbeing and productivity. The findings recommend that there's a critical relationship between productivity, short-term capital, and long-term capital.. (Lakshmi & Geetha, 2016)

The essential centre of this consider is to compare the budgetary execution of Maruti Suzuki and Tata Engines Ltd. Money related information and data from the companies' yearly reports are utilized for examination. The think about analyses the liquidity and use of both companies, with a centre on four proportions, to be specific capital adapting, debt-equity, add up to obligation, and restrictive proportion, to look at the use position. The study's comes about recommend that Tata Engines Ltd. has to increment the extent of funds contributed by proprietors within the company to make strides its long-term dissolvability position. (AgarwalNidhi, 2015)

The author of this study conducted a financial evaluation of the Indian car tyre industry with the primary objective of examining its financial health, strength, and weaknesses. Various financial ratios were computed to analyze the industry's financial performance. The research suggests that better inventory control and utilization of fixed assets could be beneficial for the financial analysis of the automotive tyre business.. (Rao, 1993)

The analyst conducted a ponder on the appraisal of corporate liquidity, centering on the components that affect the productivity of sugar industry firms. These components incorporate deals development rate, use, current proportion, working costs to deals, and vertical integration. The consider too analyzed the short-term liquidity of 28 chosen sugar production lines within the agreeable and commercial segments. The researcher used segregate investigation to distinguish between great and terrible chance companies based on current and liquidity proportions. The consider computed separating "Z" scores utilizing the separate work, and positioned the companies agreeing to their liquidity levels based on the "Z" scores.. (Vijayakumar, 1996)

The study focused on the liquidity position of five top corporations from 2000 to 2010, concluding that small businesses have a stronger liquidity position compared to larger ones. The research suggests that maintaining a good current-to-liquid relationship is crucial for businesses. (Kumar, 2018)

The creator conducted a consider on the net benefit to deals proportion of the beat ten pharmaceutical companies and found noteworthy contrasts within the ratios among the companies additionally for distinctive a long time of each company. Based on the study's discoveries, the analyst concluded that the net benefit to deals proportion shifts between diverse companies and diverse ponder a long time..
(Kantilal, 2012)

Authors ANOVA was used to perform a study on the liquidity analysis of a sample of Indian companies, and it was discovered that there were significant differences between the absolute liquid ratios of the companies. (Saravanan & Abarna, 2014)

OBJECTIVES OF THE STUDY

1. To learn about the company's financial situation.
2. To suggest ways to improve one's ability to borrow money.
3. To comprehend the company's liquidity and solvency status from 2015-16 to 2019-20.
4. To help the stakeholders to invest or not in that company using the ratio
5. To analyse weather the company using correct method of valuations.
6. Determining the financial performance for the previous period financial statement is the study's main goal. With the use of the Analysis of Ratios, an effort is made to examine the financial performance.

RESEARCH METHODOLOGY

Research methodology refers to the methods or procedures used to achieve the research objective. In this study, the primary objective is to evaluate ITC's financial performance over the past five years using ratios as the analytical tool.

DATA ANALYSIS AND INTERPRETATION

The following are the outcomes of a number of variables used in the analysis of the collected data:

1) Current Ratio: Current ratio = current assets / current liability (Bansal, 2014)

Table No. 1 - Current Ratio

Period	Current Asset(Cr)	Current liability(Cr)	Current Ratio
2015-2016	25912.03	15045.08	1.72:1
2016-2017	26370.01	7122.2	3.7:1
2017-2018	26594.63	9252.15	2.87:1
2018-2019	31750.27	10022.99	3.16:1
2019-2020	39509.53	9562.77	4.14:1

(Source taken annual report of ITC)

From the given Cleary shows that the company has achived optimum , expect 2015 to 2016of current ratio . This shows that the company can meet its short-term obligations for the years 2017to 2020.

2. Quick Ratio: Quick ratio = Quick asset / Current liability (Gupta, 2022)

Table No.2 - Quick Ratio

Year	Quick asset	Current liability	Quick ratio
2015-2016	16655.78	14947.05	1.2:1
2016-2017	18156.08	7131.07	2.5:1
2017-2018	18899.53	9252.15	2.4:1
2018-2019	23888.71	10012.99	2.53:1
2019-2020	30628.02	9560.77	3.23:1

(Source taken from annual report of ITC)

A 1:1 quick ratio is optimal. It is evident from the above data the organisation was achieved the desired acid test ratio. Every year, the ratio keeps growing . This shows clearly that the company's monaterory solvency position is good.

3) Debt equity ratio: Debt equity ratio = Total debt / shareholdres fund (Arickal, 2021)

Table No.3 - Debt Equity Ratio

Year	Total debt	Owners Equity	Debt-equity Ratio
2015-2016	17039.87	34228.74	0.50:1
2016-2017	9239.6	46709.67	0.20:1
2017-2018	11446.28	52849.58	0.22:1
2018-2019	12318.07	59489.34	0.23:1
2019-2020	11718.31	65279.26	0.19:1

(Source taken from annual report of ITC)

The usual debt and equity ratio is 1:1. Company has not accophillshed the optimal debt and equity ratio, as can be seen from the accompanying table. It demonstrates how the business frequently uses owner funds as opposed to borrowing funds.

4. Proprietary Ratio: Proprietary Ratio = Proprietor's fund or Shareholder's fund/ Total Asset. (L, 2021)

Table No.4 - Proprietary Ratio

Year	Proprietor's Fund (Cr)	Total Asset (Cr)	Proprietary Ratio
2015-2016	34229.74	51265.78	0.68:1
2016-2017	46709.67	55948.27	0.85:1
2017-2018	52847.58	64282.86	0.84:1
2018-2019	59489.34	71799.41	0.85:1
2019-2020	65278.26	77367.04	0.89:1

(Source taken from annual reports of ITC)

A 0.5:1 proprietary ratio is recommended. It is clearly shows from the above statement that the organization was obtained appropriate proprietary ratio. Over period for past five years, the organization has maintained a constant proprietary ratio.

5) Return on Shareholders fund or Return on Equity: Return on equity = Net Profit / Shareholders fund x 100 (Rawat, 2017)

Table No. 5 0 Return on Equity

Period	Net profit(cr)	Shareholders Fund (cr)	Return on equity
2015-2016	9913.61	34228.74	30.95
2016-2017	10478.23	46708.67	24.43
2017-2018	11499.68	52846.58	23.74
2018-2019	12836.90	59485.34	24.57
2019-2020	15694.78	65272.26	25.88

(Source taken from annual reports of ITC)

The ideal shareholder fund return is 15%. As can be seen from the table above, the 5-year average Return on Shareholder Fund was higher than average. This indicates that ITC pays their shareholders a reasonable return.

6) Total Asset\Turnover Ratio: Net sales / Total Assets (Sharma & Grover, 2016)

Table No.6 - Total Asset turnover ratio

Period	Sale	Assest	%
2015-2016	39065.89	51262.45	0.762
2016-2017	58703.51	55942.45	1.049
2017-2018	47687.54	64285.85	0.741
2018-2019	49865.11	71796.45	0.694
2019-2020	51392.43	77364.78	0.664

(Source taken from annual reports of ITC)

ThelAsset Turnover Ratio is diminishes , as the above table clearly demonstrates. The periods 2016–17 and 2019–20 had the highest and lowest turnover ratios, respectively.

7) Current Asset Turnover Ratio: Net sales / current assest (Bidawat, 2020)

Table No. 7 - Current Asset Turnover Ratio

Period	Sales (Cr)	Current Asset (Cr)	%
2015-2016	39062.85	25810.20	1.51
2016-2017	58702.52	26267.09	2.23
2017-2018	47686.55	26392.62	1.80
2018-2019	49863.12	31741.27	1.54
2019-2020	51392.43	39505.35	1.30

(Source taken from annual reports of ITC)

The current asset turnover ratio varies from year to year, as the aforementioned table demonstrates. The 2016–17 fiscal year had the highest current asset turnover ratio.

8) Return on Investment: EBIT/ Capital Employed x 100 (Subramanian, Sinha, & Gupta, 2012)

Table No.8 - Return on cost or invesment (ROI)

Period	Operating earnings (cr)	Funds Employed (cr)	Return on investment or cost (ROI)
2015-2016	15432.17	36,319.68	42.490
2016-2017	16025.31	48823.36	32.823
2017-2018	17410.12	55037.81	31.633
2018-2019	19150.86	61785.41	30.998
2019-2020	20034.59	67805.29	29.547

(Source taken from annual reports of ITC)

10% is the desired ROI. Based on the given data, the ROI exceeds the optimal ratio and is rising annually. This suggests that there is a positive tendency in the return on investment.

9) Net Profit Ratio: Net profit / Net sales (Chavda, 2017)

Table No.9 Net Profit Ratio

Period	Net profit(cr)	Net sales (Cr)	Net profit Ratio
2015-2016	9913.64	39067.45	0.233
2016-2017	10475.32	58703.53	0.178
2017-2018	11493.66	47689.53	0.241
2018-2019	12836.91	49865.14	0.257
2019-2020	15593.87	51395.45	0.303

(Source taken from annual reports of ITC)

A net profit ratio of 5% to 10% is optimal. From the above table clearly shows that the firm has achieved the net profit for the year 2015 to 2020.

10) Leverage Ratio: Total Asset / Total Debt (Dr.S.Poongavanam, 2017)

Table No.10 - Leverage Ratio

Period	Asset (Cr)	Debt (cr)	Leverage ratio
2015-2016	51262.87	17038.05	3:1
2016-2017	55941.23	9236.60	6:1
2017-2018	64289.86	11444.28	5.6:1
2018-2019	71796.45	12314.07	5.8:1
2019-2020	77368.68	11719.31	6.6:1

(Source taken from annual reports of ITC)

1:1 is the optimal leverage ratio. The firm has achieved the appropriate leverage ratio, as shown in the above table. This indicates a greater level of solvency.

FINDINGS, SUGGESTIONS AND CONCLUSION

Findings:

The business succeeded in reaching the ideal current ratio for the five years between 2015–16 and 2019–20. The company attained the ideal quick asset ratio and exhibits a positive tendency during the study's time period. ITC Limited's financial situation is respectable. Because it hasn't reached the ideal debt equity ratio, the company tends to use less of the than the borrowers' money. The proprietary ratio reflects the company's sound financial position and increased degree of security for its creditors. The fact that ITC Limited's yield on shareholders' funds is higher than the ideal ratio demonstrates both its strong solvency rating and high returns to its shareholders. Furthermore, the return on shareholder's money exceeds the ideal ratio, suggesting that the company produces a benefit that's satisfactory for its shareholders from its profit. ITC Limited's Add up to Resource Turnover Proportion, on the other hand, has diminished over the past five a long time, demonstrating that the trade has been able to form more cash. Also, the yearly variety within the current resource turnover proportion may result in a diminish within the esteem of monetary assets.

SUGGESTIONS: To realize the specified debt-to-equity proportion, ITC Constrained ought to depend more on borrowed reserves than shareholder reserves. In case the company wishes to upgrade the esteem of its money related assets, it ought to point to diminish its current resource turnover proportion. Whereas ITC Limited's return on venture is over the ideal level, it has been diminishing, and hence administration ought to consider executing extra methodologies to pull in more speculators. The company ought to too focus on expanding the esteem of its goodwill. The increase within the company's liabilities over the consider period may be a negative improvement, and ITC Constrained ought to make endeavors to diminish its liabilities within the up and coming a long time.

LIMITATIONS OF STUDY:

1. As there was not enough time for the study, an in-depth investigation was not possible.
2. It's possible that the data in the financial statement is not accurate.
3. It is impossible to generalise the study's findings.

CONCLUSION:

The report titled "Assessment of the Monetary Execution of ITC Constrained" presents a point by point examination of the company's monetary status amid a particular length and a comparative consider of other related substances. Concurring to the report, ITC Constrained contains a not too bad monetary standing and is steady, dissolvable, and beneficial. The consider utilizes the monetary articulation and benefit and loss account from the past five a long time to assess and decipher the budgetary position. The report concludes that ITC Limited's money related accomplishments show a promising future for the commerce.

Enough operating capital is necessary for the firm to perform all operations competently and evenly. The finance manager is in charge of maintaining working capital at the most advantageous level while maximising profitability without jeopardising the company's liquidity. Due to increased competition in the domestic market followed by the worldwide market, the firm is operating incredibly well. Escalation is anticipated with superior and innovative concepts for bettering every aspect of its operation. The business has strong liquidity and doesn't put off fulfilling its obligations to creditors and debtors. The business relies on working capital facilities frequently, has a strong relationship with its banks, and practises balanced working capital management.

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