

**A STUDY ON THE FINANCIAL PERFORMANCE WITH REFERENCE TO
ITC LIMITED – STRATEGIC BUSINESS UNIT PACKAGING &
PRINTING.**

Submitted in partial fulfilment of the requirements for the award of
Master of Business Administration

by

LAKSHMANAN.L

39410100



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade “A” by NAAC | 12B Status by UGC | Approved by AICTE

Jeppiaar Nagar, RAJIV GANDHI SALAI, CHENNAI - 600 119

APRIL - 2021



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **Mr. LAKSHMANAN.L 39410100** who have done the Project work entitled “**A study on the financial performance with reference to ITC Strategic Business Unit Packaging & Printing**” under my supervision from December 2020 to February 2021.

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Submitted for Viva voce Examination held on _____

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DECLARATION

I **LAKSHMANAN.L 39410100** hereby declare that the Project Report entitled **A study on the financial performance with reference to ITC Strategic Business Unit Packaging & Printing** done by me under the guidance of **Dr. D.Velumoni, MBA,M.Phil,NET,SET,Ph.D., ASSISTANT PROFESSOR** at **ITC LIMITED – Strategic Business Unit Packaging & Printing – CHENNAI** is submitted in partial fulfilment of the requirements for the award of Master of Business Administration degree.

DATE:

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TABLE OF CONTENTS

CHAPTER NO	TITLE	PAGE NO
	ABSTRACT	i
	LIST OF TABLES	ii
	LIST OF CHARTS	iii
1	INTRODUCTION	
	1.1 Introduction about the study	1
	1.2 Industry profile	2
	1.3 Company profile	4
	1.4 Need for Study	6
	1.5 Scope of Study	6
	1.6 Objectives of the Study	6
	1.7 Limitations of the Study	6
2	REVIEW OF LITERATURE	
	2.1 Review of Literature	7
3	RESEARCH METHODOLOGY	
	3.1 Research Design	15
	3.2 Sources of Data	15
	3.3 Period of Study	15
	3.4 Tools Used	16
4	DATA ANALYSIS AND INTERPRETATION	
	4.1 Ratio Analysis	23
	4.2 Trend Analysis	63
	4.3 Comparative Balance sheet	69
	4.4 Common Size Balance Sheet	72
5	SUMMARY	
	5.1 Findings	75
	5.2 Suggestions	76
	5.3 Conclusion	77
	REFERENCES	78
	APPENDIX I (Annual Report)	79
	APPENDIX II (Article)	89

ABSTRACT

The project titled “A study on the financial performance With reference to ITC – Strategic Business Unit Packaging & Printing” deals with the movement of money in and out of a business, project, or financial product. The need for Cash to run the day-to-day business activities cannot be over emphasized. One can hardly find a business firm, which does not require any amount of Cash. Indeed, firms differ in their requirements of the Cash.

The tools used for the data analysis are traditional ratio analysis and Trend analysis. The study shows that over a period of five years from 2016 - 2020. Effective cash management has declined in the recent years. A firm should aim at maximizing the wealth of its shareholders. In its endeavor to do so, a firm should earn sufficient return from its operation. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current asset for generating sales. Current asset are needed because sales do not convert into cash instantaneously.

The objectives are to analyze the financial position and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency / inefficiency of Cash.

It was noticed in the study that the company had utilized its Cash efficiently and can also try to get more effective values by working on it. The cash required to meet out the current liabilities is maintained at a normal level that shows the company follows an average policy.

LIST OF TABLE

TABLE NO.	CONTENTS	PAGE NO.
4.1	Current Ratio	23
4.2	Liquid Ratio	25
4.3	Debt Equity Ratio	27
4.4	Total Assets to Debt Ratio	29
4.5	Proprietary Ratio	31
4.6	Fixed Assets Ratio	33
4.7	Capital Gearing Ratio	35
4.8	Finance Cost Ratio	37
4.9	Inventory Turnover Ratio	39
4.10	Debtors Turnover Ratio	41
4.11	Creditors Turnover Ratio	43
4.12	Working Capital Turnover Ratio	45
4.13	Fixed Assets Turnover Ratio	47
4.14	Capital Turnover Ratio	49
4.15	Gross Profit Ratio	51
4.16	Operating Ratio	53
4.17	Net Profit Ratio	55
4.18	Return on Investment Ratio	57
4.19	Return on Shareholder fund Ratio	59
4.20	Employee Expenses Ratio	61
4.21	Trend Analysis of Current Assets	63
4.22	Future Projected Trend Analysis of Current Assets	65
4.23	Trend Analysis of Current Liabilities	66
4.24	Future Projected Trend Analysis of Current Liabilities	68
4.25	Comparative Balance sheet of 2017 - 2018	69
4.26	Comparative Balance sheet of 2018 – 2019	70
4.27	Comparative Balance sheet of 2019 - 2020	71
4.28	Common Size Balance Sheet of 2017 - 2018	72
4.29	Common Size Balance Sheet of 2018 – 2019	73
4.30	Common Size Balance Sheet of 2019 - 2020	74

LIST OF CHARTS

CHART NO.	CONTENTS	PAGE NO.
4.1	Current Ratio	23
4.2	Liquid Ratio	25
4.3	Debt Equity Ratio	27
4.4	Total Assets to Debt Ratio	29
4.5	Proprietary Ratio	31
4.6	Fixed Assets Ratio	33
4.7	Capital Gearing Ratio	35
4.8	Finance Cost Ratio	37
4.9	Inventory Turnover Ratio	39
4.10	Debtors Turnover Ratio	41
4.11	Creditors Turnover Ratio	43
4.12	Working Capital Turnover Ratio	45
4.13	Fixed Assets Turnover Ratio	47
4.14	Capital Turnover Ratio	49
4.15	Gross Profit Ratio	51
4.16	Operating Ratio	53
4.17	Net Profit Ratio	55
4.18	Return on Investment Ratio	57
4.19	Return on Shareholder fund Ratio	59
4.20	Employee Expenses Ratio	61
4.21	Trend Analysis of Current Assets	64
4.22	Future Projected Trend Analysis of Current Assets	65
4.23	Trend Analysis of Current Liabilities	67
4.24	Future Projected Trend Analysis of Current Liabilities	68

CHAPTER I

1.1 INTRODUCTION ABOUT THE STUDY

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial efficiency is a measure of the organizations ability to translate to its financial resources into mission related activities. Financial efficiency is desirable in all organization of individual mission. It measures the intensity with which a business uses it assets to generate gross revenue and the effectiveness of producing, purchasing, pricing, financing, and marketing decisions. At the micro level financial efficiency refers to the efficiency with which resources are correctly allocated among competing uses at a point of time. Financial efficiency is a measure of how well an organization has managed certain trade of (risk and return, liquidity and profitability) in the use of its financial efficiency.

Financial efficiency is regarded as a measure of total efficiency and a management guide to greater efficiency and the extent of the profitability, liquidity, productivity and capital strength can be taken as a final proof of a financial efficiency. Financial efficiency directed towards evaluating the liquidity, stability, and profitability of a concern which put together of a concern.

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial analyst program provides vital methodologies of financial analysis.

Financial analysis involves the use of financial statements. A financial statement is a collection of data that is organized according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm.

1.2 INDUSTRY PROFILE

The global packaging industry is developing and expanding day by day and Indian packaging industry is also growing at rapidly. This growth is primarily driven by factors like growing pharmaceutical, food processing, manufacturing industry. The packaging industry plays a crucial role, adding value to various manufacturing sectors including agriculture, pharmacy, retail, FMCG, to name a few. Basically the market has been growing due to solid demand from food and pharmacy industries.

The paper packaging market contributes more than 30% to overall packaging market share and dominates other packaging domains. Also, demand for sustainable packaging, made of paper, jute, cloth and even plants, is increasing around the country. Plastic is used heavily for packaging owing to its innovative visual appeal for customer attraction and convenience. The growth in lifestyle and consumption patterns has increased the demand for the packaged products resulting in growth packaging industry.

The industry, which employs about 5 million people directly and three times more indirectly, will continue to grow due to rapid change across the industry. Organised retail and e-commerce boom, which offer huge potential for future growth of retailing, will continue to support the packaging industry. The increased presence of global multinational companies, consumer brand awareness and products with 'clean-label' messaging will augur well for the industry

Meanwhile, the food safety and packaging norms are getting stricter and this is expected to promote use of good quality packaging. Also the affordability, smaller urbanized household size and time compression is expected to give way to the packaged food category. Also, the government's aim to make India a global manufacturing hub will have a positive impact on growth of packaging industry.

Packaging is among the high growth industries in India and developing@ 22-25% per annum and becoming a preferred hub for packaging industry. Currently the 5th largest sector of India's economy, the industry has reported steady growth over past several years and shows high potential for much expansion, particularly in the export market.

Costs of processing and packaging food can be up to 40% lower than parts of Europe which, combined with India's resources of skilled labour, make it an attractive venue for investment. A high degree of potential exists for almost all user segments which are expanding appreciably-processed foods, hard and soft drinks, fruit and marine products.

The Indian packaging industry has made a mark with its exports that comprise flattened cans, printed sheets and components, crown cork, lug caps, plastic film laminates, craft paper, paper board and packaging machinery, while the imports include tinsplate, coating and lining compounds and others. In India, the fastest growing packaging segments are laminates and flexible packaging, especially PET and woven sacks. Over the last few years Packaging Industry is an important sector driving technology and innovation growth in the country and adding value to the various manufacturing sectors including agriculture and FMCG segments.

India's GDP (Gross Domestic Product) has reached to a great heights of development over the years. At present GDP of India is 7.44%. Indian economy is very diverse and it is the service sector which is main source of national income. Service sector in India contributes more than 50% of the GDP. India facts state that the foreign direct investment (FDI) inflows stood at USD 12.75 billion during April-June in 2018. This is a great achievement for the country. The eight key infrastructure sectors grew 2.6 per cent year-on-year in December 2018 India states.

1.3 COMPANY PROFILE

ITC's Packaging & Printing Business is the largest value added converter of paperboard packaging in South Asia. It converts over 70,000 tonnes of paper, paperboard and laminates per annum into a variety of value-added packaging solutions for the food & beverage, personal products, cigarette, liquor and consumer goods industries.

The Division, which was set up in 1925 as a strategic backward integration for ITC's Cigarettes business, is today India's most sophisticated packaging house. State-of-the-art technology, world-class quality and a highly skilled and dedicated team have combined to position ITC as the first-choice supplier of high value added packaging.

The Division supplies value-added packaging to ITC's various FMCG businesses. Its client list includes several well-known national and international companies like

**Nokia, Colgate Palmolive, Pernod Ricard,
Diageo, British American Tobacco, Philip Morris International,
Agio Cigars, UB Group, Tata Tetley, Tata Tea,
Reckitt Benckiser, Radico Khaitan, Akbar Brothers,
Surya Nepal, VST Industries, Reebok, etc.**

With three packaging factories at:

Tiruvottiyur near Chennai (in the South),
Munger in Bihar (in the East), and
Haridwar (in the North of India),

The Company offers a comprehensive product range in packaging backed by its packaging expertise over the decades and cutting edge technology making it truly a **"One stop shop for Packaging"**.

Tobacco Packaging

ITC offers a range of products line including flip top boxes (Square, Round, Beveled and Pillow Pack Hinge lids etc), Outers, Soft Cup labels, Pack inserts, Printed cork tipping, printed overwraps, inner frames. **ITC makes value added shoulder boxes for cigars and cigarettes.** ITC supplies packaging for over **80 billion cigarettes** a year domestically, and supplies packaging for **15 billion cigarette sticks** a year for the export market to leading tobacco majors.

Flexible Packaging

Flexible Packaging is an area of high growth, supported with investments in technology and equipment from world class suppliers. ITC offers a completely integrated solution for laminates from Pre-press, In-house Blown Film, Cast film, Extrusion Lamination, Hot Melt Coating, specialty pouching and bag making. This is backed by in house cylinder making and pre press support.

Carton Board Packaging

ITC occupies a leadership position in catering to the needs of the liquor, mobile phones & food. ITC offers a range of value additions for carton board packaging such as UV offset printing, Foil Stamping, Embossing, Window patching & lined cartons, etc.

Vision

Sustain ITC's position as one of India's most valuable corporations through world class performance, creating growing value for the Indian economy and the Company's stakeholders.

Mission

To enhance the wealth generating capability of the enterprise in a globalising environment, delivering superior and sustainable stakeholder value. ITC is a board-managed professional company, committed to creating enduring value for the shareholder and for the nation.

1.4 NEED FOR THE STUDY

- The area taken for this study is to “Analysis the financial performance in ITC LTD at Chennai.
- The study will predict the assets and liabilities of the organisation and also analysis the future improvement.
- The study will helps to reduce the expenditure in the future.
- The need for this research is to increase the financial position.

1.5 SCOPE OF THE STUDY

- The information required for the study is based on the annual reports with an attempt of the company for a period of five years.
- The study can be used to understand the financial performance in ITC LTD – Strategic Business Unit Packing and Printing.
- This study will help the organisation to know the strength and weakness of the company.
- This study helps in planning forecasting and also possible for company to perform well by maintaining profit.

1.6 OBJECTIVES OF THE STUDY

1.6.1 PRIMARY OBJECTIVE

- The primary objective is to study the Analysis of financial performance for past 5 years with reference to ITC limited – Strategic Business Unit Packing & Printing.

1.6.2 SECONDARY OBJECTIVE

- To study the profitability, liquidity, solvency and turnover position of the company using ratio analysis.
- To do comparative study of balance sheet of the company.
- To do common sized study of balance sheet of the company.
- To find the trend analysis for the future prediction of the company.

1.7 LIMITATIONS OF THE STUDY

- The study is limited to five years only.
- The reliability of the data depends upon the data given by the company.

CHAPTER II

2.1 REVIEW OF LITERATURE

Literature review is considered as the most important phase of the any research process as it allows learning from previous researches and also saves time, efforts and money. A logical and systematic review of the literature made completion of study possible. Therefore, researcher reviewed studies conducted on financial efficiency and performance.

The purpose of this study is to evaluate the financial efficiency and performance. Literature review revealed that one of the major concerns amongst the researchers all over the world. The impact of financial efficiency and performance of the company. The following section presents a review of the results of relevant studies conducted in India.

Mahila Vasanthi Thangam (2016) The study entitled to know the financial position of the company that helps in making sound decision by analysing the recent trend. In this study, an attempt is made to identify the financial strength and weakness of the firm by properly establishing relationship between the items in the balance sheet and profit and loss account of ITC Ltd., Chennai on the past five years. The study aims to analyse the liquidity, profitability, solvency position of the company. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise. The present study attempted to discuss the financial performance of the company. For this purpose, the relevant secondary data from the study units for a period of 5 years and data were analysed using comparative balance sheet. The analysis of the data has provided major conclusion that the company is witnessing a lot of risks in the form of competition, less profitability etc.

Sathya, Umarani (2015) Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the Balance Sheet and the Profit and Loss Account. The project work is an outcome of "A study on financial performance

analysis of ITC Ltd of Chennai city". The study was carried out for the period of five years (2010-14) to analyze the financial performance of the company. The research design of the study is descriptive research design and secondary data was collected from the published websites of organization for the research. The tools used for analysis is comparative ratio analysis of the balance sheet. Suitable ratios were framed and calculated to know the financial performance of the company. The findings from the analysis were discussed in detail and suggestions for corrective actions like maintain good solvency in order to meet short term and long term obligations.

Farrah Wahieda Kasiran, Noredi Azhar Mohamad, & yet all (2015) This preliminary study was made with an attempt to analyze the efficiency of working capital management in the selected small medium enterprise companies in Malaysia. The secondary data was derived from Suruhanjaya Syarikat Malaysia. Database of 24 companies are randomly selected from the SME Corp website for four years period from 2010 - 2013. In analyzing the efficiency of working capital management three indexes was used in this current study namely, performance index of working capital management (PIWCM), utilization index of working capital management (UIWCM), and efficiency index of working capital management (EIWCM). The results reveal that the selected small medium enterprise company was less efficient in managing their working capital during this study period.

Snehlata, BhodiaKhera (2015) The automobile industry has continued its growth trajectory over the past few years. The Indian automobile industry has vital role to play in the world's automobile market. With the increasing growth in demand on back of rising income, expanding middle class and young population base, large pool of skilled manpower and growing technology, will propel India to be among the world's top five auto-producers by 2015. 'Profit is the engine that drives the business enterprise". There should be enough profits to every firm or business enterprise to survive and grow in the long run. Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. In this research paper, ratio analysis has been done to compare the financial statements and balance sheets of Mahindra and Mahindra co. and offer suggestions for the improvement of efficiency in the company.

Suresh Babu, Chalam (2014) This paper empirically investigates the relationship between the components of working capital and firms' profitability of firms in Indian Textile industry. We undertake profitability (ROA) as a dependent variable and the inventory conversion period (ICP), the average collection period (ACP), the average payment period (APP), and the cash conversion Cycle (CCC) are used as independent variables, and are considered for measuring working capital management. The data was taken from secondary data source named as "Industry; financial aggregates and ratios" (PROWS) of centre for monitoring Indian economy (CMIE) covering the period from 1997-98 to 2010-11 (14 years). The regression result shows that profitability has insignificant positive relationship of inventory conversion period and significant positive relationship of average collection period. Even though, average payment period and cash conversion cycle were significant negatively related to profitability. The results show that for overall Textile industry, working capital management has significant impact on profitability of the firms.

Ramanchandran, Janakiraman (2014) Analyzed the relationship between working capital management efficiency and earnings before interest and tax of the plastic industries in India. The study revealed that cash conversion cycle and inventory days had negative correlation with earnings before interest and tax. While accounts payable days and accounts receivable days related positively with earnings before interest and tax.

Venkata Ramana and Ramakrishna (2014) Evaluate the profitability and financial position of selected cement companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of liquidity ratios on profitability performance of selected cement companies.

Selvarani (2013) Has discussed in the research article about "Financial Analysis on Sundaram Clayton Limited". This paper main objective was to review the financial performance of Sundaram Clayton Limited which was a market leader in the field of air and assisted Brake actuation system for a wide range of commercial and earth moving vehicles in India. This study was based on secondary data collected from the annual reports of the company for the last 5

years 2006-2010 by tabulating, analyzing and interpreting with the help of different financial ratios, Multivariate Discriminate Analysis (MDA as developed by Prof. Altman) and trend analysis. In this research paper, she has concluded that the company was performing well. On the basis of analysis, she has suggested about the use of debt which was very low currently and also concluded that the company has to take steps to improve the profitability.

Kartik Chandra Nandi (2013) In his study “Trends in Liquidity Management and Their Impact on Profitability: A Case Study”. Made an attempt to observe the trend values of liquidity position of the company and study the correlation between liquidity and profitability. An attempt has also been made to establish the linear relationship between liquidity and profitability with the help of a multiple regression model. The study used various statistical tests viz. t-test, F-test and Durbin-Watson test and has been applied in order to test the significance of the results obtained. He concluded that the selected company always tries to maintain adequate amount of net working capital in relation to current liabilities so as to keep a good amount of liquidity throughout the study period.

Sudarsana Reddy (2013) Under took a study on “Financial Performance of Paper Industry in Andhra Pradesh” for the period from 1989-90 to 1998-99. The primary objective of the study was to analyze the investment pattern and utilization of fixed assets, ascertaining the working capital condition, reviewing the profitability performance and suggesting measures to improve the profitability. He concluded that the introduction of additional funds along with restructuring of finances and modernization of technology were needed for better operating performance.

Mahes Chand Garg and Chander Shekhar (2012) Found that the asset composition is to be significantly negatively related with total Debt equity and long term debt equity in cement industries. Value of the assets and life of the company were significantly positively related to total debt equity. Life of the company was significantly positively related with long term debt equity in cement industries. The regression coefficient of collateral value of assets was significant at 10 per cent level and was positively associated with total debt equity.

Sahu (2012) In his article titled “A Simplified Model for Liquidity Analysis of Paper Industry” has examined the liquidity of paper industry. The model developed by him has been based on the assumption that the liquidity management of a company in a particular year is effective if its earnings before depreciation are positive and not effective if its earnings before depreciation are negative. The findings have revealed a very high predictive ability of the estimated discriminate function.

HimaBindu and Subrahmanyam (2012) In their study dealt with the evaluation of earning power, analysis of operating efficiency, analysis of financial efficiency and measurement of financial health of Dairy Industry in Andhra Pradesh using Z score analysis. The financial health of Amrit Corp Limited, GSKCH Limited, Heritage Foods India Limited and NDDDB differs and these companies fall under too healthy zone. The financial health of Ravi Leela Dairy Products Limited is in danger and the unit is considered to be in bankruptcy zone. Its failure is certain and it would occur probably within a period of two years.

Adolphus (2012) Showed that there was a statistically significant relationship between measure of liquidity and selected measures of profitability, efficiency and indebtedness in Nigerian quoted manufacturing companies. The impact of one per cent increase in average liquidity measures produces a more significant increase in average profitability (21.9 per cent), efficiency (16.1 per cent) and indebtedness (16.6 per cent).

Neha Mittal (2011) Studies the determination of capital structure choice of the selected Indian industries. The main objective is to investigate whether and to what extent the main structure theories can explain the capital structure choice of Indian firms. It has applied multiple regression models on the selected industries by taking data for the period 2001-2008. It examines the relevance of capital structure in selected Indian industries based on a regression analysis and data study. It concludes that the main variables determining capital structure of industries in India are agency cost, assets structure, non-debt tax shield and size. The coefficients of these variables are significant at one per cent and five per cent levels.

Mallick Amit and Sur Debasish (2002) Attempt to make an empirical study of AFT Industries Ltd, a tea producing company in Assam for assessing the impact of working capital on its profitability during the period 1999-2001 to 1998-1997. The author has explored the co-relation between ROI and several ratios relating to working capital management. On the whole, this study of the co-relation between the selected ratios in the area of working capital management and profitability of the company revealed both negative and positive effects. Moreover, the WCL of the company recorded a fluctuating trend during the period under study.

Bhatt (2005) Widely touches upon a method of appraising working capital finance applications of large manufacturing concerns. It states that similar methods need to be devised for other sectors such as agriculture, trade etc. The author is of the view that banks while providing short-term finance, concentrate their attention on adequacy of security and repayment capacity. On being satisfied with these two criteria they do not generally carry out any detail appraisal of the working of the concerns.

Ahmed Habib (2003) He points out that when the interest rate is included; money loses its predictive power on output. The study explicates this finding by using a rational expectations model where production decisions of firm required debt finance working capital. Working capital is an important factor and its cost, the rate of interest, affects the supply of goods by firms. Monetary policy shocks, thus, affect the interest rate and the supply side, and as a result price and output produced by firms. The model indicates that this can cause the predictive power of monetary shocks on output to diminish when the interest rate is used in empirical analysis. The model also alludes to the effects of monetary policy on the price level through the supply side (cost push) factors.

Kaveri (2002) He has based his writing on the RBI's studies on finances of large public limited companies. This review of working capital finance refers to two points of time i.e., the accounting years ending in 1979 and 1983 and is based on the data as given in the Reserve Bank of India on studies of these companies for the respective dates. He observes that the Indian industry has by and large failed

to change its pattern of working capital financing in keeping with the norms suggested by the Chore Committee. While the position of working capital management showed some investment between 1975-79 and 1979-83, industries have not succeeded in widening the base of long-term funds to the desired extent. The author concludes with the observation that despite giving sufficient time to the industries to readjust the capital structure so as to shift from the first method to the second method, progress achieved towards this end fell short of what was desired under the second method of working capital finance.

Chakraborty (2002) He tries to distinguish cash working capital v/s balance sheet working capital. The analysis is based on the following dimensions:
a) Working capital in common parlance b) Operating cycle concept
b) Computation of operating cycle period in all the four cases. The purpose of the analysis is to demonstrate operating cycle concepts based on published annual reports of the firms.

Smith Keith (1996) He believes that Research which concerns shorter range or working capital decision making would appear to have been less productive. The inability of financial managers to plan and control properly the current assets and current liabilities of their respective firms has been the probable cause of business failure in recent years. Current assets collectively represent the single largest investment for many firms, while current liabilities account for a major part of total financing in many instances. This paper covers eight distinct approaches to working capital management. The first three - aggregate guidelines, constraints set and cost balancing are partial models; two other approaches - probability models and portfolio theory, emphasize future uncertainty and interdependencies while the remaining three approaches - mathematical programming, multiple goals and financial simulation have a wider systematic focus.

Natarajan Sundar (1993) The opinion that working capital is important at both, the national and the corporate level. Control on working capital at the national level is exercised primarily through credit controls. The Tandon Study Group has provided a comprehensive operational framework for the same. In operational terms, efficient working capital consists of determining the optimum

level of working capital, financing it imaginatively and exercising control over it. He concludes that at the corporate level investment in working capital is as important as investment in fixed assets. And especially for a company which is not growing, survival will be possible only so long as it can match increase in operational cost with improved operational efficiency, one of the most important aspects of which is management of working capital.

Singaravel (2005) He focuses on the interdependency among working capital, liquidity and profitability, of which sufficiency of liquidity comes in the first preference followed by sufficiency of working capital and profitability. The article is an in-depth analysis of liquidity and its interrelationship with working capital and profitability. As the working capital, liquidity and profitability are in triangular position, none is dispensable at the satisfaction of the other. Excess of stock-in-trade over bank over-draft and excess of liquid assets over current liabilities other than bank over-draft generate working capital for the business. Alternatively working capital requirements are made for long-term funds which affect the profitability.

Fazzari Steven, Petersen Bruce (1993) He throws light on new tests for finance constraints on investment by emphasizing the often neglected role of working capital as both a use and a source of funds. The authors believe that working capital is also a source of liquidity that should be used to smooth fixed investment relative to cash-flow shocks if firms face finance constraints. They have found that working capital investment is “excessively sensitive” to cash-flow fluctuations. Besides, when working capital investment is included in a fixed-investment regression as a use or source of funds, it has a negative coefficient.

Chalam, Manohar Babu (1999) Observe that liquidity performance is very low as compared to the ideal norms. It is suggested that for managing working capital effectively the operating and other required budgets should be prepared by the respective levels of the management on short-term as well as long-term basis. It is further suggested that these are the people concerned who can really influence the process of production activity to such an extent that there should be optimum utilization of the investment in working capital.

CHAPTER III

3 RESEARCH METHODOLOGY

Methodology is usually a guideline system for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. It can be defined also as follows

1. The analysis of the principles of methods rules and postulates employed by a discipline.
2. The systematic study of methods that are, can be, or have been applied within a discipline.
3. The study or description of methods.

A methodology can be considered to include multiple methods, each as applied to various facets of the whole scope of the methodology. The research can be divided between two parts; they are qualitative research and quantitative research.

3.1 Research design

The descriptive research designs have been adopted for the study. A research design is the plan of a research study. The design of a study defines the study type and sub-type, research problem, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to find answers to research questions.

3.2 Source of data

Data was collected from the company's website, company records such as balance Sheet, Income Statement, Internal Data, Etc. In addition to that a number of reference books, journals and website reports were also used to formulate the theoretical model for the study.

3.3 Period of study

The study covers from December 2020 to February 2021 for 3 months in ITC LIMITED – Strategic Business Unit Packaging & Printing.

3.4 Tools used

- Ratio analysis.
- Trend analysis.
- Comparative Balance sheet.
- Common sized Balance sheet.

Ratio analysis

Ratio analysis is an important and age-old technique. It is a powerful tool of financial Analysis. It is defined as “The indicated quotient of two mathematical expressions” and as “the relationship between two or more things” .Systematic use of ratio is to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. A ratio is only comparison of the numerator with the denominator.

The term ratio refers to the numerical or quantitative relationship between two figures. Thus, ratio is the relationship between two figures and obtained by dividing a former by the latter. Ratios are designed show how one number is related to another. The data given in the financial statements are in absolute form and are dumb and are unable to communicate anything.

Ratios are relative form of financial data and are very useful technique to check upon the efficiency of a firm. Some ratios indicate the trend or progress or downfall of the firm. In the view of the requirements of the various users of ratio, it is divided in to the following important categories.

- Liquidity ratios.
- Solvency ratios.
- Activity ratios.
- Profitability ratios.

Liquidity Ratios:

1. Current Ratio

Current ratio is a relationship of current assets and current liabilities and is computed to assess the short term financial position of the enterprise. It means the

current ratio is an indicator of the enterprise ability to meet its short term financial obligations.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Liquid Ratio

Liquid ratio or quick ratio is a relationship of liquid assets with current liabilities and is computed to assess the short term liquidity of the enterprise.

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

Solvency Ratios:

3. Debt equity Ratio

Debt equity ratio is computed to assess long term financial soundness of the enterprise. The ratio expresses the relationship between external and internal equities of the enterprises.

$$\text{Debt equity Ratio} = \frac{\text{Long term debt}}{\text{Equity}}$$

4. Total assets to debt Ratio

Total assets to debt ratio establish relationship between total assets and total long term debts of the enterprise. It measures the margin available to the lenders of long term debts.

$$\text{Total assets debt Ratio} = \frac{\text{Total Debts}}{\text{Total Assets}}$$

5. Proprietary Ratio

This ratio compares the shareholders funds or owner's funds and tangible assets. This ratio shows the general soundness of the company. It is of particular interest to the creditors of the company as it helps them to ascertain the shareholders funds in the total assets of the business.

$$\text{Proprietary Ratio} = \frac{\text{Shareholders fund}}{\text{Total Assets}}$$

6. Fixed assets Ratio

The ratio establishes the relationship between fixed assets and long term funds. The objective of calculating this ratio is to ascertain the proportion of long term funds invested in fixed assets.

$$\text{Fixed assets Ratio} = \frac{\text{Net Fixed Assets}}{\text{Long Term fund}}$$

7. Capital gearing Ratio

This ratio is also known as capitalisation or leverage ratio. It is also one of the long term solvency ratios. It is used to analyse the capital structure of the company. The ratio establishes the relationship between fixed interest and dividend bearing funds and equity shareholders funds.

$$\text{Capital gearing Ratio} = \frac{\text{Long term loan + pref Share capital}}{\text{Equity Shareholders fund}}$$

8. Finance cost Ratio

This ratio involves in estimating the ending inventory under the retail method the cost ratio is the cost of goods available divided by the retail value of the goods available.

$$\text{Finance cost Ratio} = \frac{\text{Finance Cost}}{\text{Net Sales}}$$

Activity (or) Turnover ratios:

9. Inventory turnover Ratio

This ratio is also called stock velocity ratio. It is calculated to ascertain the efficiency of inventory management in terms of capital investment. It shows the relationship between the cost of goods sold and the amount of average inventory.

$$\text{Inventory turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

10. Debtors Turnover Ratio

Debtor's turnover ratio measures the number of times the receivables are rotated in a year in terms of sales. This ratio also indicates the efficiency of credit collection and efficiency of credit policy. This ratio is helpful in determining the operational efficiency of a business concern and the effectiveness of its credit policy. It is important to maintain a reasonable quantitative relationship between receivables and sales.

$$\text{Debtor's turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Receivables}}$$

11. Creditors turnover Ratio

This ratio is also known as accounts payables or creditors velocity. A business concern usually purchases raw materials, services and goods on credit. The quantum of payables of a business concern depends upon its purchase policy, the quantity of purchases and suppliers credit policy.

$$\text{Creditor's turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Average Payables}}$$

12. Working capital turnover Ratio

Working capital ratio measures the effective utilisation of working capital. It also measures the smooth running of business or otherwise. The ratio establishes relationship between cost of sales and working capital. It shows the number of times a unit rupee invested in working capital produces sales.

$$\text{Working capital turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

13. Fixed assets turnover Ratio

This ratio determines efficiency of utilisation of fixed assets and profitability of a business concern. It indicates how well the business is using its fixed assets to generate sales.

$$\text{Fixed assets turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Net Fixed Assets}}$$

14. Capital turnover Ratio

Managerial efficiency is also calculated by establishing the relationship between cost of sales or sales with the amount of capital invested in the business.

$$\text{Capital turnover Ratio} = \frac{\text{Cost of Sales}}{\text{Capital Employed}}$$

Profitability Ratios:

15. Gross profit Ratio

This ratio is also known as gross margin or trading margin ratio. Gross profit ratio indicates the difference between sales and direct costs. Gross profit ratio explains the relationship between gross profit and net sales.

$$\text{Gross profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

16. Operating Ratio

Operating ratio measures the amount of expenditure incurred in production sales and distribution of output. It indicates operational efficiency of the concern. The ratio indicates the relationship between total operating expenses and sales.

$$\text{Operating Ratio} = \frac{\text{Cost of Sales} + \text{Operating Exp}}{\text{Net Sales}} \times 100$$

17. Net profit Ratio

This ratio is also called net profit to sales ratio. It is a measure of management's efficiency in operating the business successfully from the owner's point of view. It indicates the return on shareholders' investment.

$$\text{Net profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

18. Return on investment

This ratio is called return on investment or return on capital employed. It measures the sufficiency or otherwise of profit in relation to capital employed. Return on investment is used to measure the operational and managerial efficiency.

$$\text{ROI} = \frac{\text{Profit Before Tax}}{\text{Capital Employed}} \times 100$$

19. Return on shareholders' fund

This ratio determines the profitability from the shareholders point of view. The profit considered for computing the ratio is taken after payment of preference dividend.

$$\text{Return on shareholder fund} = \frac{\text{Net Profit After Tax}}{\text{Shareholders fund}} \times 100$$

20. Expenses Ratio

These ratios are also known as supporting ratios to operating ratio. They indicate the efficiency with which business as a whole functions. It is better for the concern to know how it is able to save or waste over expenditure in respect of different items of expenses.

$$\text{Employee Exp Ratio} = \frac{\text{Employee Benefit Expenses}}{\text{Sales}} \times 100$$

Trend Analysis

The trend signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but the trend analysis. Trend analysis is carried out by calculating trend ratio. Trend analysis is significant for forecasting and budgeting. Trend analysis discloses the changes in financial and the operating data between specific periods.

Comparative Balance Sheet

The comparative balance sheet is helpful in analyzing and evaluating the financial position of the firm over a period of years. The comparative balance sheet analysis is the study of the trend of the same items, group of items, and computed items in two or more balance sheet of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of the period and these changes can help in forming an opinion about the progress of an enterprise.

Common Sized Balance Sheet

Financial statements when read in absolute figure are not easily understandable. They are even misleading. Each items of asset is converted in to percentage to total asset and each item of capital and liabilities is expressed to total liability and capital fund. Thus the whole balance sheet is converted in to percentage form i.e., every individual item stated as a percentage of total 100. such converted balance sheet is known as common size balance sheet. The percentage so calculated can be easily compared with the corresponding percentages in some other period.

CHAPTER IV

4. DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

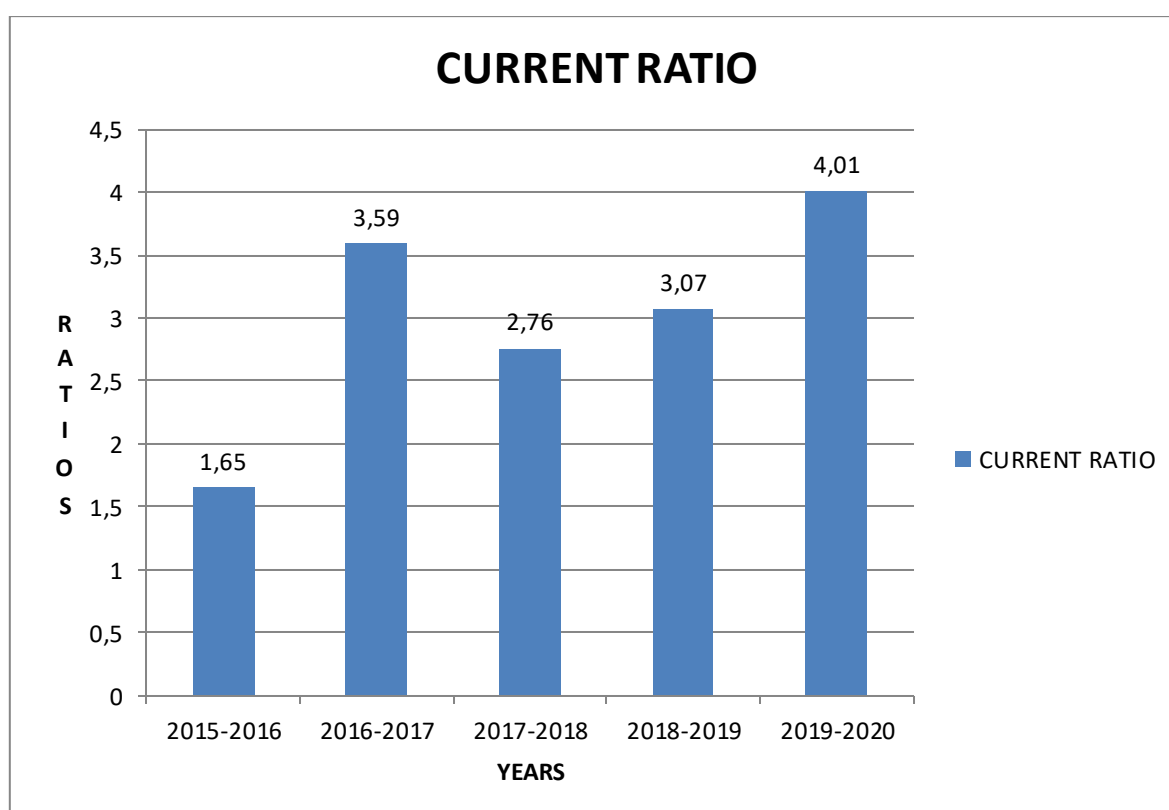
4.1 CURRENT RATIO

Table 4.1

(In Crores)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2015-2016	24134.74	14587.86	1.65
2016-2017	24537.39	6830.07	3.59
2017-2018	24503.00	8856.60	2.76
2018-2019	29568.96	9621.56	3.07
2019-2020	36506.91	9089.41	4.01

Chart 4.1



INTERPRETATION

In the year 2015 – 2016 the current ratio is 1.65 and it increases to 3.59 in the year 2016 – 2017 and it declines to 2.76 in the year 2017 – 2018 and it again increases to 3.07 in the year 2018 – 2019 and it reaches its maximum of 4.01 in the year 2019 – 2020.

INFERENCES

The ideal current ratio of a company should be between 1 to 1.2. But, in the previous years (2016 – 2020) there is no good performance in the ideal current ratio. A current ratio is higher than 1.5 that indicates the company is not productively utilizing its cash resources properly.

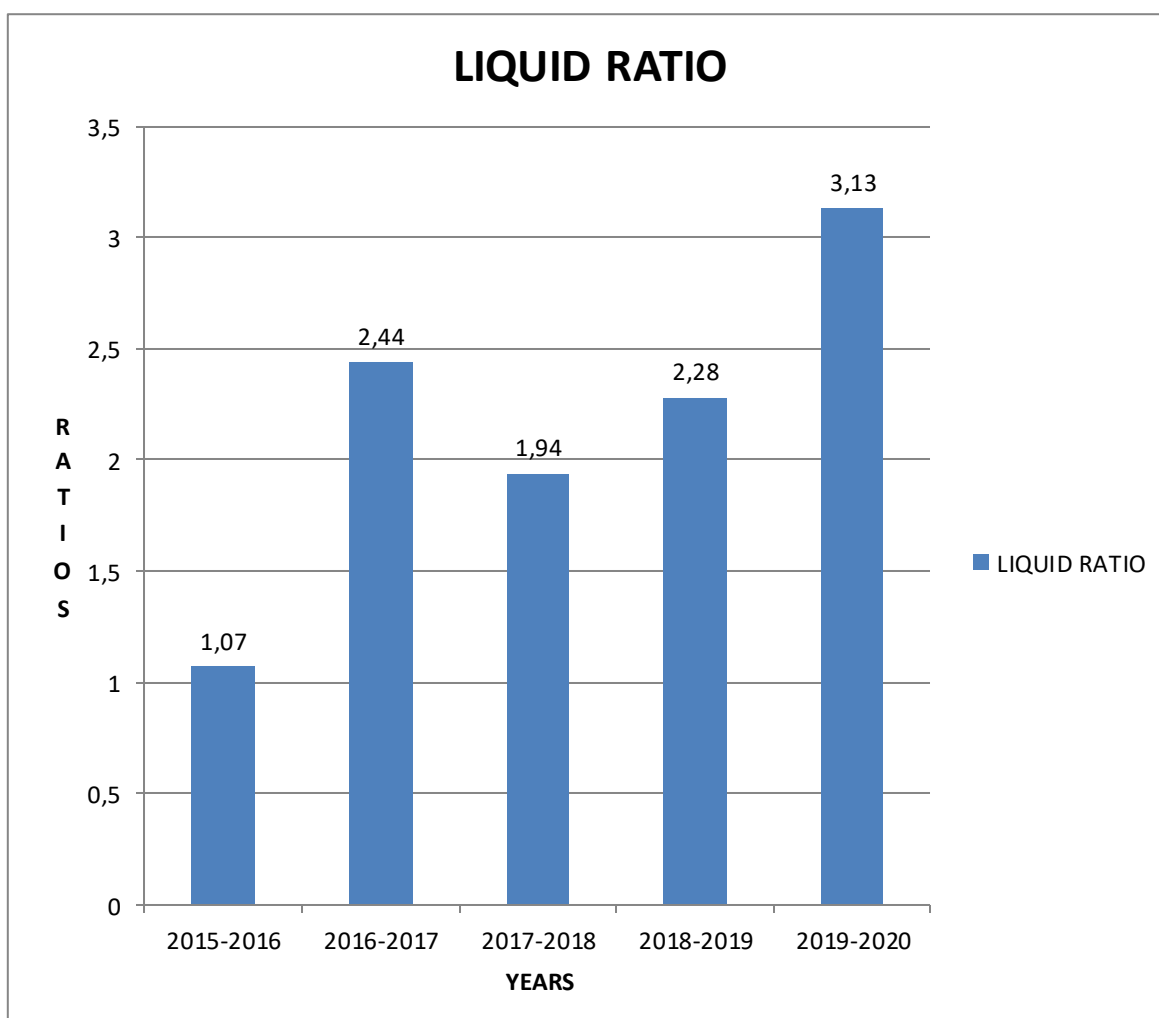
4.2 LIQUID RATIO

Table 4.2

(In Crores)

YEAR	LIQUID ASSETS	CURRENT LIABILITIES	LIQUID RATIO
2015-2016	15614.92	14587.86	1.07
2016-2017	16673.4	6830.07	2.44
2017-2018	17265.85	8856.60	1.94
2018-2019	21981.72	9621.56	2.28
2019-2020	28468.84	9089.41	3.13

Chart 4.2



INTERPRETATION

In the year 2015 – 2016 the liquid ratio is 1.07 and it increases to 2.44 in the year 2016 – 2017 and it declines to 1.94 in the year 2017 – 2018 and it again increases to 2.28 in the year 2018 – 2019 and it reaches its maximum of 3.13 in the year 2019 – 2020. Liquid ratio is an indicator of short term debt paying capacity of an enterprise and thus, it is a better indicator of liquidity.

INFERENCES

The ideal liquid ratio of a company should always be greater than 1, which indicates the good financial performance of the company. Compare to the previous years, in the year of 2019 – 2020 it shows the highest ideal liquid ratio which helps to perform with the better results.

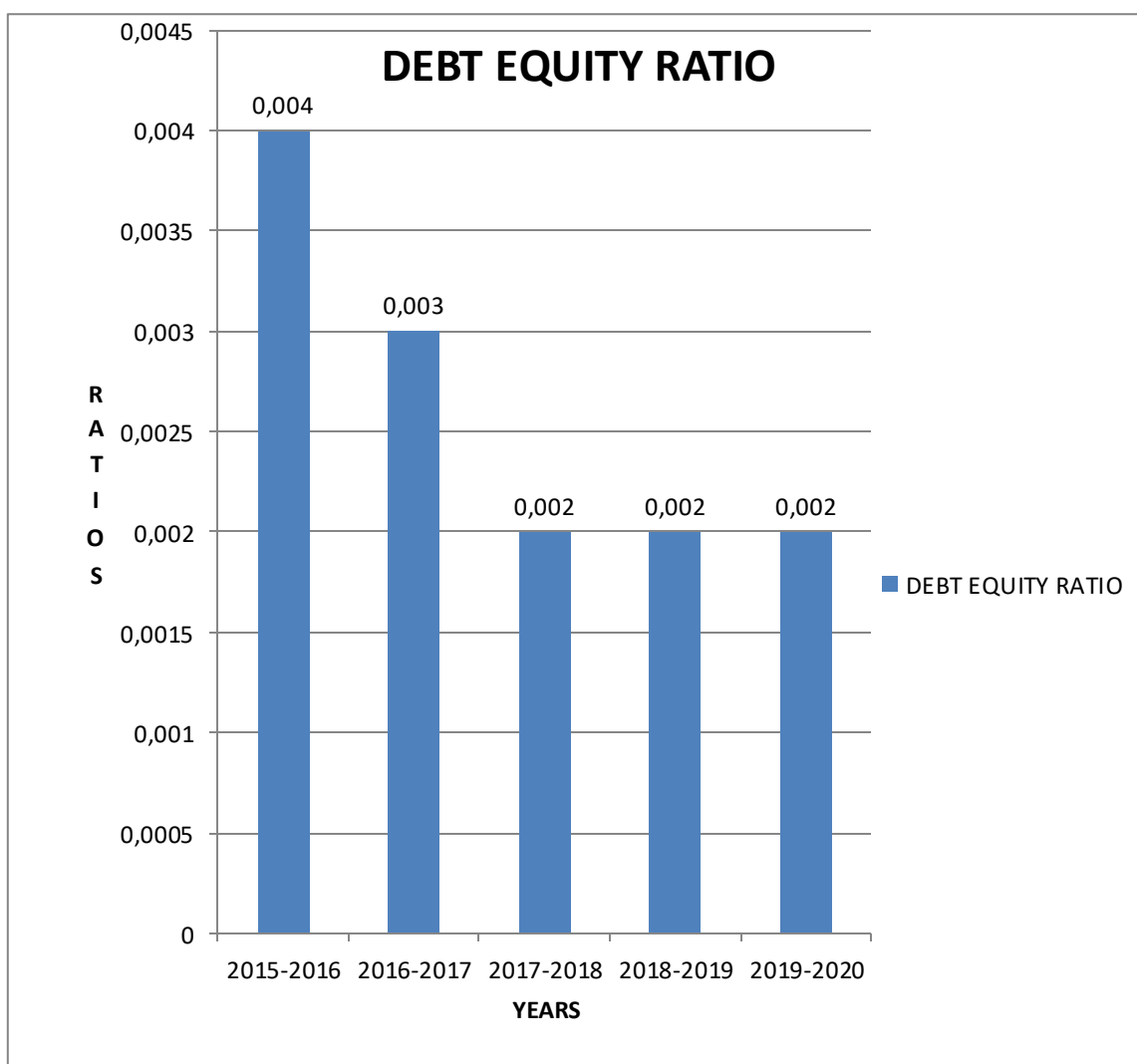
4.3 DEBT EQUITY RATIO

Table 4.3

(In Crores)

YEAR	LONG TERM DEBT	EQUITY	DEBT EQUITY RATIO
2015-2016	138.02	32929.00	0.004
2016-2017	149.36	45340.96	0.003
2017-2018	133.04	51400.07	0.002
2018-2019	140.53	57949.79	0.002
2019-2020	149.42	64029.16	0.002

Chart 4.3



INTERPRETATION

In the year 2015 – 2016 the debt equity ratio is 0.004 and it decrease to 0.003 in the year 2016 – 2017 and it again declines to 0.002 in the year 2017 – 2018 and it remains constant at 0.002 for the other two years 2018 – 2019 and 2019 – 2020. It shows the lower debt equity ratio indices the enterprise is depending upon the shareholders funds. The external equities are at a lower risk and have higher safety.

INFERENCES

The good debt equity ratio of a company is around 1 to 1.5. But, the debt equity ratio of this company is lower or closer to 0, this often means the business has not relied on borrowing to financial operations. Hence, the investors are unlikely to invest in the shares of the company with the very low ratio because the company has not realizing the potential profit.

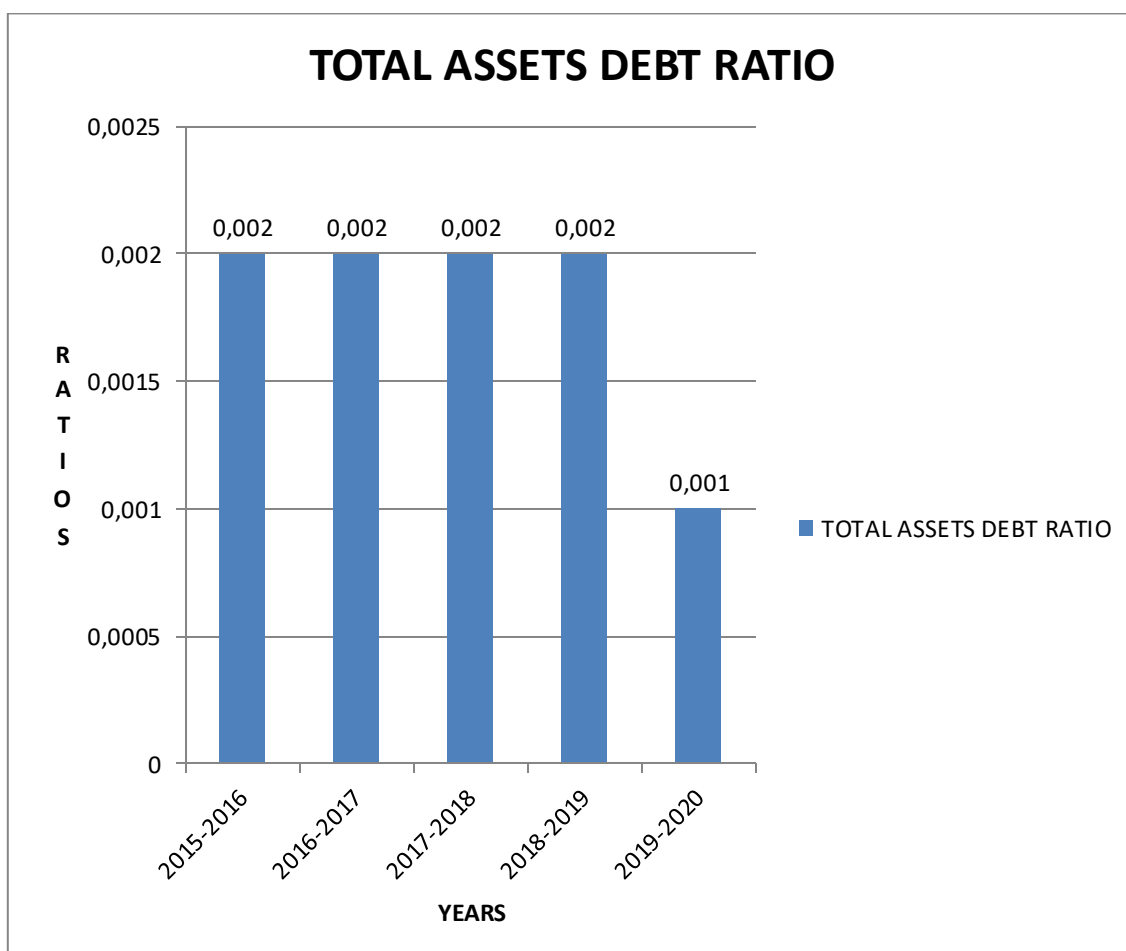
4.4 TOTAL ASSETS TO DEBT RATIO

Table 4.4

(In Crores)

YEAR	TOTAL DEBTS	TOTAL ASSETS	TOTAL ASSETS DEBT RATIO
2015-2016	138.02	49518.43	0.002
2016-2017	149.36	54215.95	0.002
2017-2018	133.04	62381.31	0.002
2018-2019	140.53	69797.92	0.002
2019-2020	149.42	75235.36	0.001

Chart 4.4



INTERPRETATION

In the year 2015 – 2016 the total assets to debt ratio is 0.002 and it keeps on constant for the next three years from 2016 – 2019 and then it declines to 0.001 in the year 2019 – 2020. A high ratio means the higher safety for lenders to the business.

INFERENCES

The ideal total assets debt ratio should be below 1 which is considered as good. This company shows the lower ratio for the total assets debt ratio for all the years. This ratio translates to the fact that a greater portion of a company's assets is funded by equity.

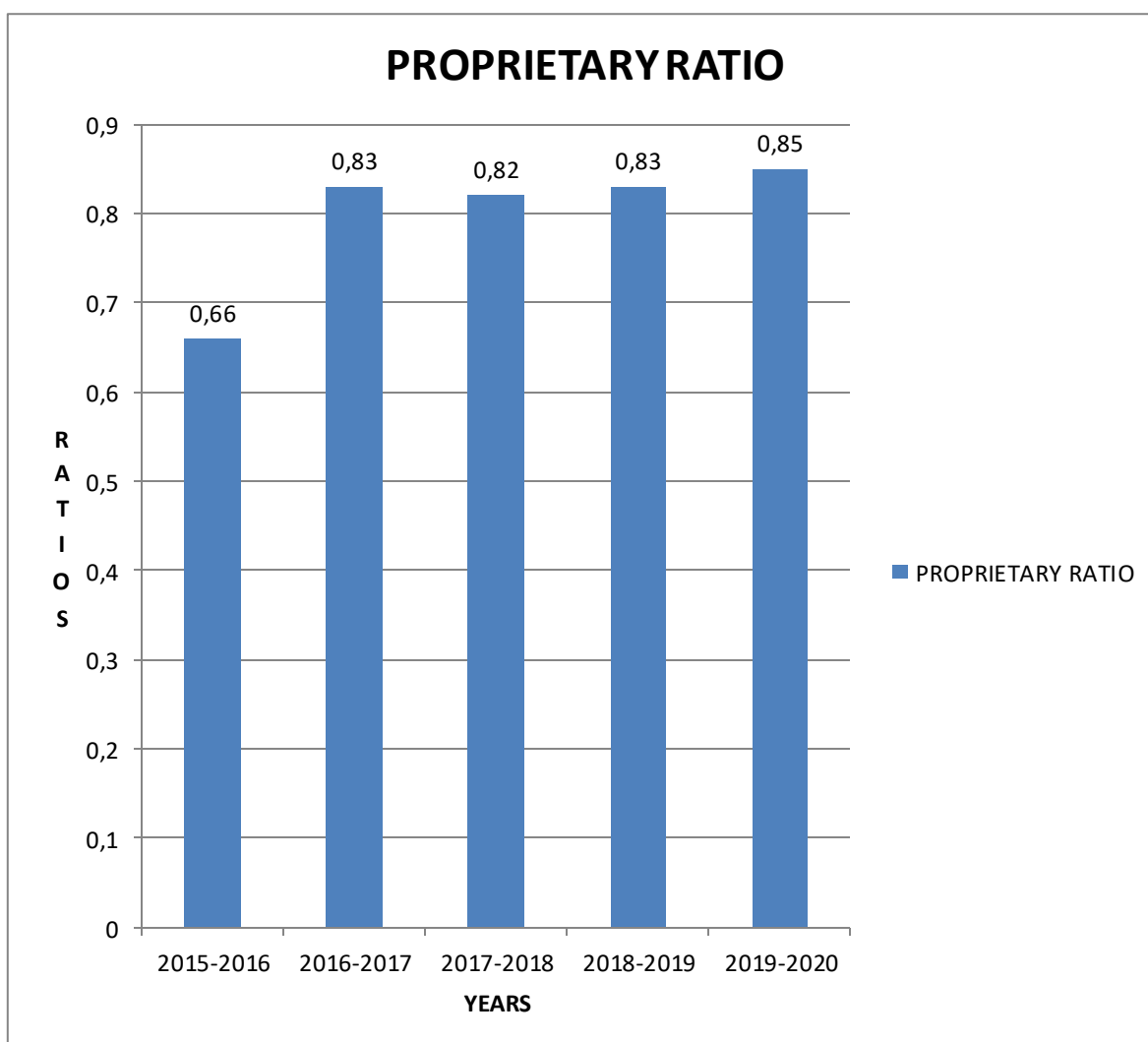
4.5 PROPRIETARY RATIO

Table 4.5

(In Crores)

YEAR	SHAREHOLDER'S FUNDS	TOTAL ASSETS	PROPRIETARY RATIO
2015-2016	32929.00	49518.43	0.66
2016-2017	45340.96	54215.95	0.83
2017-2018	51400.07	62381.31	0.82
2018-2019	57949.79	69797.92	0.83
2019-2020	64029.16	75235.36	0.85

Chart 4.5



INTERPRETATION

In the year 2015 – 2016 the proprietary ratio is 0.66 and it increases to 0.83 in the year 2016 – 2017 and it declines to 0.82 in the year 2017 – 2018 and it again increases to 0.83 in the year 2018 – 2019 and it reaches its maximum of 0.85 in the year 2019 – 2020. A high ratio means the adequate safety for the creditors of the business.

INFERENCES

The ideal proprietary ratio of a company should be 0.5 : 1. Higher the ratio better the long term solvency position of the company. Here, in this company it indicates the extent to which the asset of the company can be lost without affecting the interest of the creditors of the company.

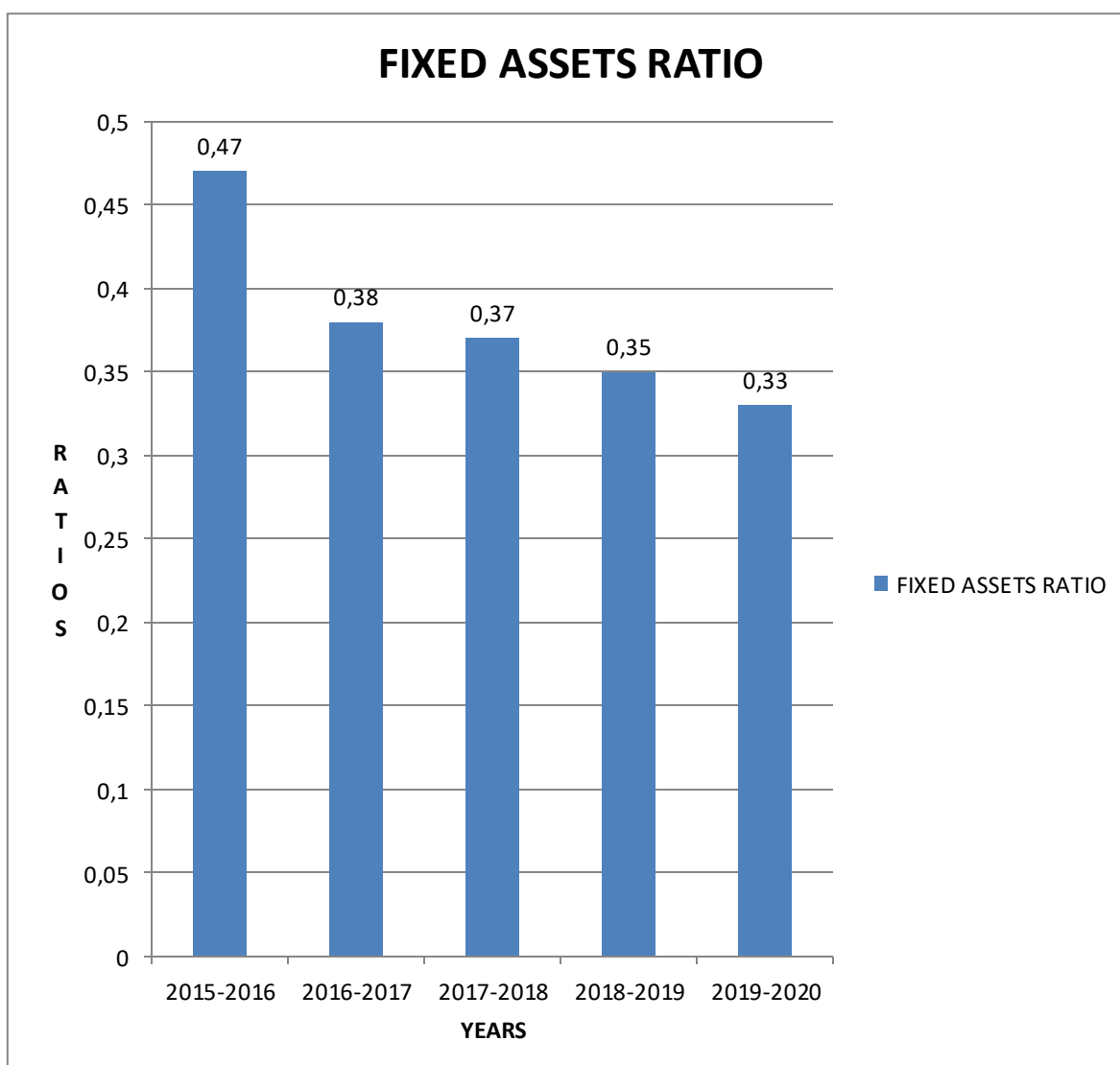
4.6 FIXED ASSETS RATIO

Table 4.6

(In Crores)

YEAR	NET FIXED ASSETS	LONG TERM FUND	FIXED ASSETS RATIO
2015-2016	15670.91	32929.00	0.47
2016-2017	17379.22	45340.96	0.38
2017-2018	19446.2	51400.07	0.37
2018-2019	20576.06	57949.79	0.35
2019-2020	21734.48	64029.16	0.33

Chart 4.6



INTERPRETATION

In the year 2015 – 2016 the fixed assets ratio is 0.47 and it decreases to 0.38 in the year 2016 – 2017 and it declines to 0.37 in the year 2017 – 2018 and it again decreases to 0.35 in the year 2018 – 2019 and it reaches its minimum of 0.33 in the year 2019 – 2020. This ratio should not be generally more than 1. If the ratio is less than 1 it indicates that a proportion of working capital has been financed by long term funds.

INFERENCES

The ideal fixed assets ratio of a company should always be less than 1, that indicates long term funds of the company are more than its net fixed assets it is desirable to some extent as it means that this company has sufficient long term fund to cover its fixed assets.

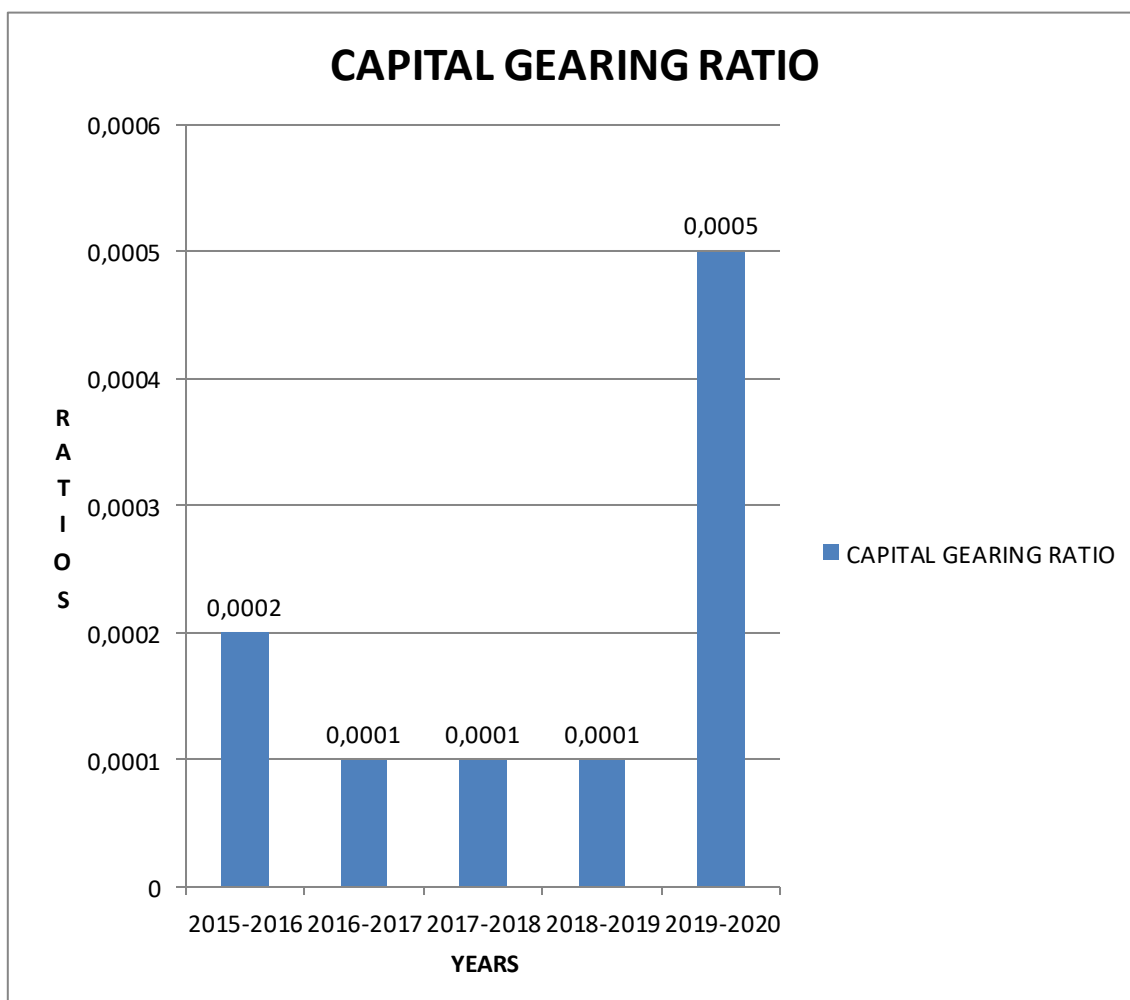
4.7 CAPITAL GEARING RATIO

Table 4.7

(In Crores)

YEAR	LONG TERM LOAN + DEBENTURE + PREF.CAPITAL	EQUITY SHAREHOLDERS FUNDS	CAPITAL GEARING RATIO
2015-2016	8.12	32929.00	0.0002
2016-2017	5.84	45340.96	0.0001
2017-2018	7.40	51400.07	0.0001
2018-2019	6.21	57949.79	0.0001
2019-2020	3.31	64029.16	0.0005

Chart 4.7



INTERPRETATION

In the year 2015 – 2016 the capital gearing ratio is 0.0002 and it decreases to 0.0001 in the year 2016 – 2017 and it remains same as 0.0001 for the two consecutive years 2017 – 2018 and 2018 – 2019 and it reaches its maximum of 0.0005 in the year 2019 – 2020. The implication is that high gearing is trading on thin equity and low gearing is trading on thick equity.

INFERENCES

An optimal gearing ratio is primarily determined by the individual company relative to other companies within the same industry. The good capital gearing ratio lower than 25 %, in this company it maintains the capital gearing in minimum percentage so, it is considered low risk by both investors and lenders.

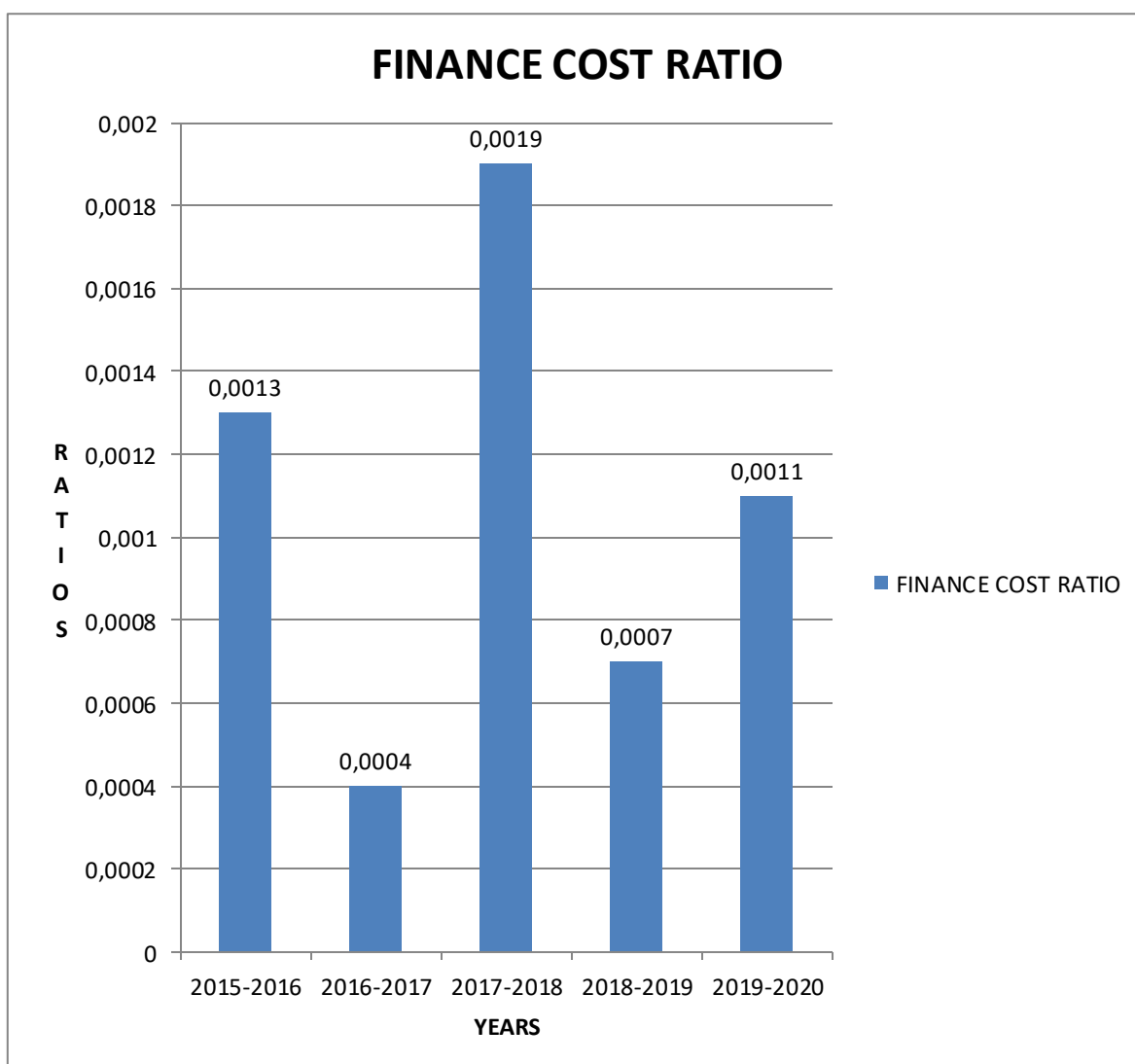
4.8 FINANCE COST RATIO

Table 4.8

(In Crores)

YEAR	FINANCE COST	NET SALES	FINANCE COST RATIO
2015-2016	49.13	36837.39	0.0013
2016-2017	22.95	55448.46	0.0004
2017-2018	86.65	44329.77	0.0019
2018-2019	34.19	45784.39	0.0007
2019-2020	55.72	46807.34	0.0011

Chart 4.8



INTERPRETATION

In the year 2015 – 2016 the fixed cost ratio is 0.0013 and it decreases to 0.0004 in the year 2016 – 2017 and it increases to 0.0019 in the year 2017 – 2018 and it again declines to 0.0007 in the year 2018 – 2019 and it again starts increasing to 0.0011 in the year 2019 – 2020.

INFERENCES

The good ideal finance cost ratio of the company should be less than 1.5. This company gradually shows the good ideal ratio in all the years. The finance cost is also known as financing cost and borrowing cost. This company interest and other costs that an entity incurs in connection with the borrowing of funds.

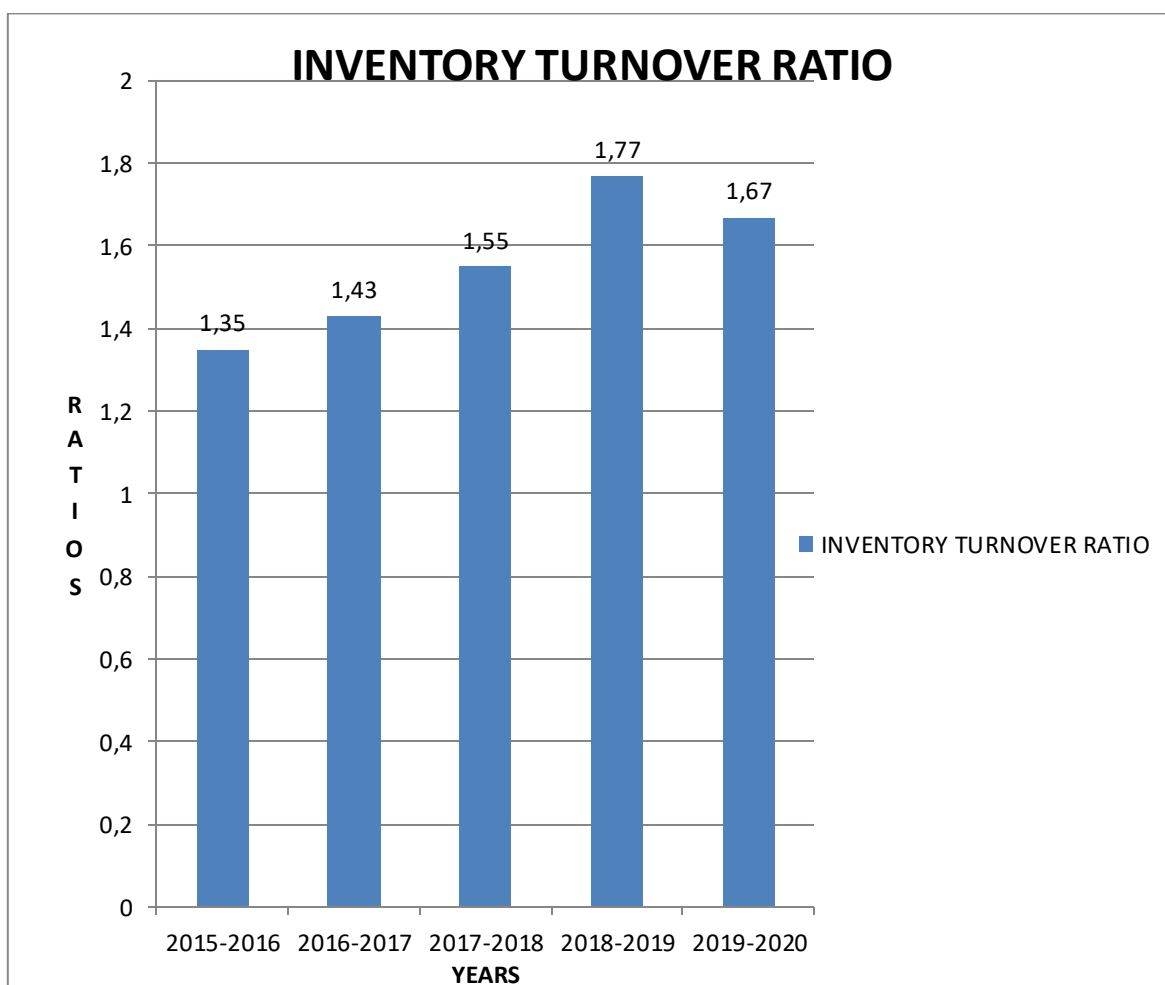
4.9 INVENTORY TURNOVER RATIO

Table 4.9

(In Crores)

YEAR	COST OF GOODS SOLD	AVERAGE INVENTORY	INVENTORY TURNOVER RATIO
2015-2016	11054.75	8178.29	1.35
2016-2017	11765.56	8191.90	1.43
2017-2018	11756.21	7550.57	1.55
2018-2019	13184.97	7412.19	1.77
2019-2020	13121.76	7812.65	1.67

Chart 4.9



INTERPRETATION

In the year 2015 – 2016 the inventory turnover ratio is 1.35 and it increases to 1.43 in the year 2016 – 2017 and it increases to 1.55 in the year 2017 – 2018 and it again increases to 1.77 in the year 2018 – 2019 and at last it declines to 1.67 in the year 2019 – 2020. Thus only an optimum inventory or stock turnover ratio ensures adequate working capital and also enables the enterprise to earn reasonable margin of profits.

INFERENCES

The ideal inventory ratio is 2 times. The high inventory turnover ratio means a company is selling goods quickly, and there is a demand for their products. But in this company the inventory turnover ratio is bad it implies weak sales and possibly excess the overstocking.

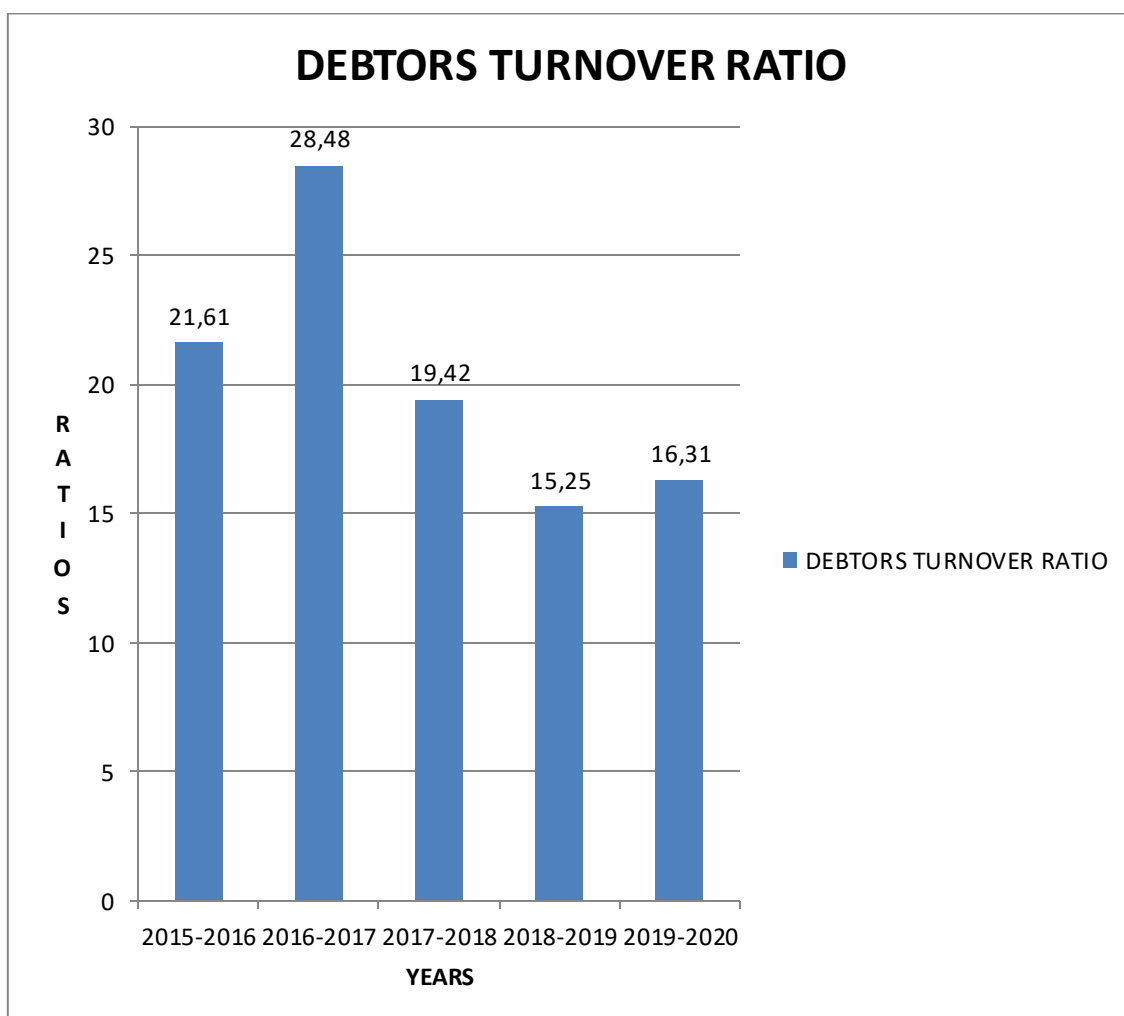
4.10 DEBTORS TURNOVER RATIO

Table 4.10

(In Crores)

YEAR	NET CREDIT SALES	AVERAGE RECIVABLES	DEBTORS TURNOVER RATIO
2015-2016	36837.39	1704.37	21.61
2016-2017	55448.46	1946.92	28.48
2017-2018	44329.77	2282.25	19.42
2018-2019	45784.39	3001.61	15.25
2019-2020	46807.34	2869.11	16.31

Chart 4.10



INTERPRETATION

In the year 2015 – 2016 the debtors turnover ratio is 21.61 and it increases to 28.48 in the year 2016 – 2017 and it declines to 19.42 in the year 2017 – 2018 and it again decreases to 15.25 in the year 2018 – 2019 and at last it increases to 16.31 in the year 2019 – 2020. It shows how quickly the receivables are converted into cash and cash equivalents and thus, shows the efficiency in collection of amounts due from debtors.

INFERENCES

The average debtor turnover ratio is around 6 times. This company shows higher than the average debtor turnover ratio. So, it indicates the faster turnaround and reflect positively on the liquidity of the company. The faster collection would keep the company having the cash to pay off its creditors and thereby reduce the working capital cycle for a better.

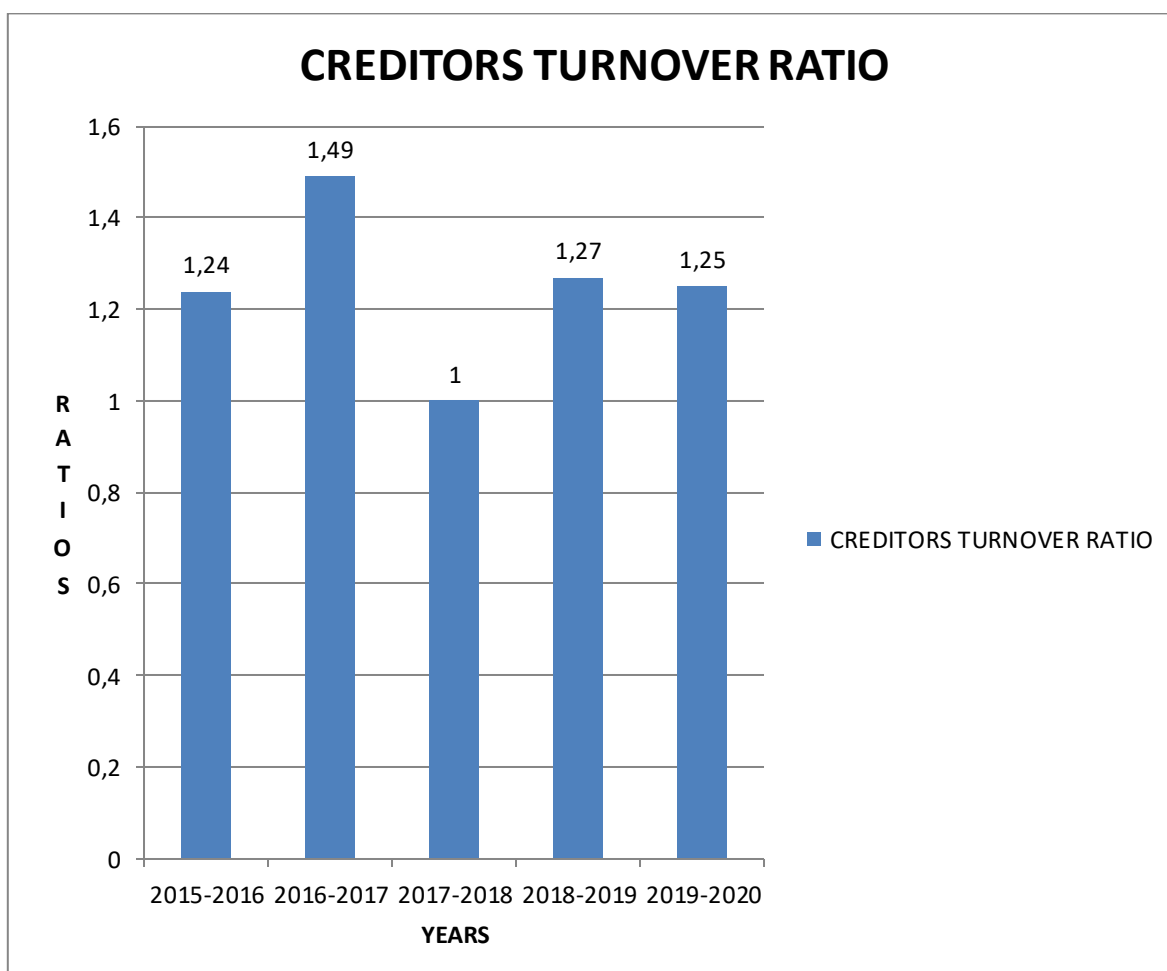
4.11 CREDITORS TURNOVER RATIO

Table 4.11

(In Crores)

YEAR	CREDIT PURCHASE	AVERAGE PAYABLES	CREDITORS TURNOVER RATIO
2015-2016	2590.08	2085.10	1.24
2016-2017	3566.57	2389.61	1.49
2017-2018	2991.98	2966.75	1.00
2018-2019	4300.32	3375.28	1.27
2019-2020	4289.71	3407.51	1.25

Chart 4.11



INTERPRETATION

In the year 2015 – 2016 the creditors turnover ratio is 1.24 and it increases to 1.49 in the year 2016 – 2017 and it declines to 1.00 in the year 2017 – 2018 and it increases to 1.27 in the year 2018 – 2019 and at last it decreases to 1.25 in the year 2019 – 2020. It shows the lower ratio indicates payment of creditors promptly. Depending on the liquidity position of the firm, the kind of payables turnover desirable can be planned.

INFERENCES

The average creditor turnover ratio is around 6 times. This company indicates the low ratio compares to the average ratio it affects the slow payment to supplier for purchases on credit. This may be due to favourable credit terms, or it may signal cash flow problem and hence, a worsening financial condition.

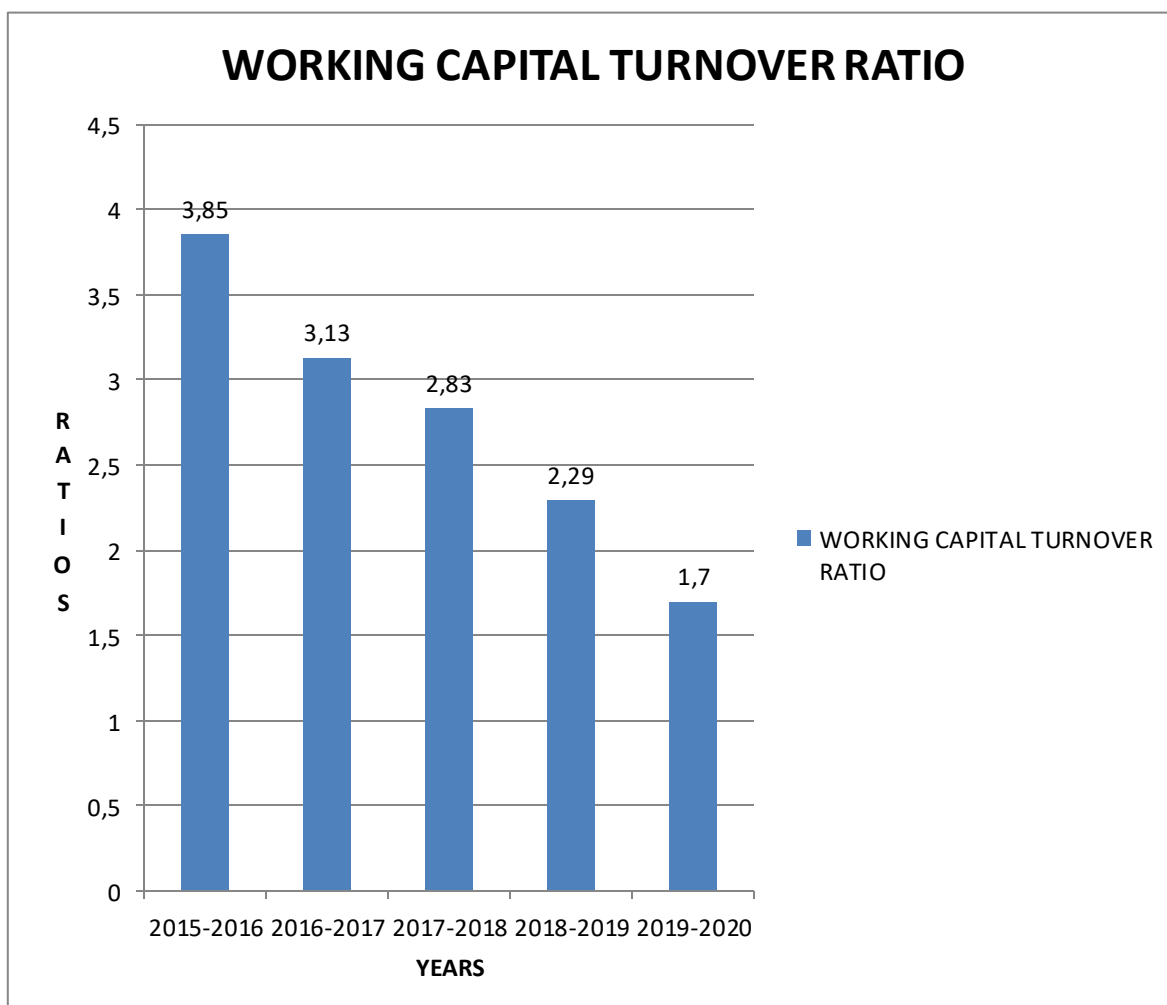
4.12 WORKING CAPITAL TURNOVER RATIO

Table 4.12

(In Crores)

YEAR	REVENUE FROM OPERATIONS	WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2015-2016	36837.39	9546.88	3.85
2016-2017	55448.46	17707.32	3.13
2017-2018	44329.77	15646.4	2.83
2018-2019	45784.39	19947.4	2.29
2019-2020	46807.34	27417.5	1.70

Chart 4.12



INTERPRETATION

In the year 2015 – 2016 the working capital turnover ratio is 3.85 and it decreases to 3.13 in the year 2016 – 2017 and it declines to 2.83 in the year 2017 – 2018 and it again decreases to 2.29 in the year 2018 – 2019 and it reaches its minimum of 1.70 in the year 2019 – 2020. Higher sales in comparison to working capital indicate over trading and lower sales in comparison to working capital indicate under trading.

INFERENCES

The ideal working capital turnover ratio should be between 1.2 and 2. This company shows the high working capital in the past years is not necessarily a good thing, it indicates the company is allowing excess cash flow. But, in the previous year 2019 – 2020 the company improves to shows a good result in working capital.

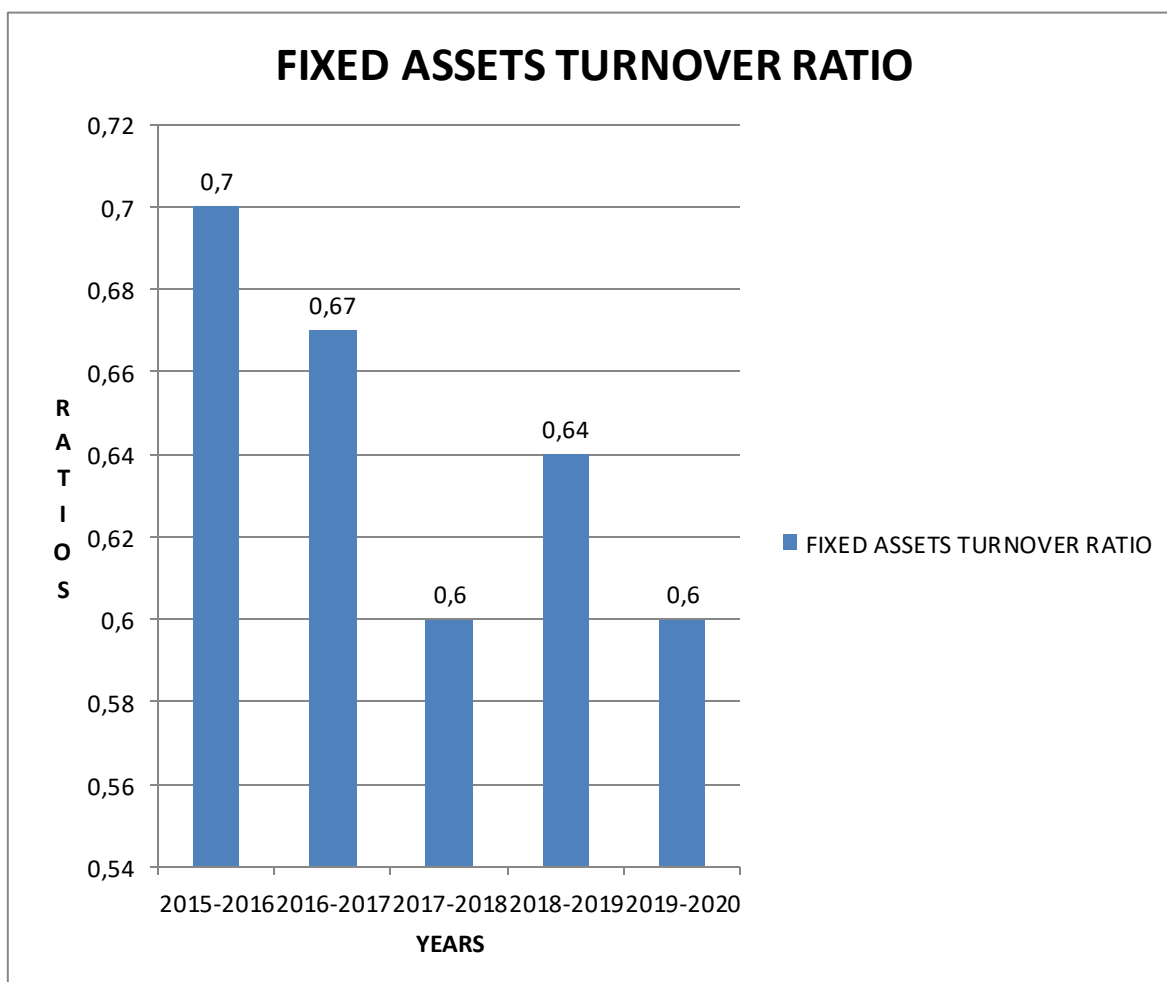
4.13 FIXED ASSETS TURNOVER RATIO

Table 4.13

(In Crores)

YEAR	COST OF GOODS SOLD	NET FIXED ASSETS	FIXED ASSETS TURNOVER RATIO
2015-2016	11054.75	15670.91	0.70
2016-2017	11765.56	17379.22	0.67
2017-2018	11756.21	19446.2	0.60
2018-2019	13184.97	20576.06	0.64
2019-2020	13121.76	21734.48	0.60

Chart 4.13



INTERPRETATION

In the year 2015 – 2016 the fixed assets turnover ratio is 0.70 and it decreases to 0.67 in the year 2016 – 2017 and it declines to 0.60 in the year 2017 – 2018 and it again increases to 0.64 in the year 2018 – 2019 and it again decreases to 0.60 in the year 2019 – 2020. Higher the ratio more is the efficiency in utilisation of fixed assets. A lower ratio is the indication of under utilisation of fixed assets.

INFERENCES

The normal ideal fixed assets turnover ratio is around 2.5 or more. Although not all low ratios are bad, if the company just made some new large purchases of fixed assets for modernization, the low fixed assets turnover ratio may have a negative connotation. The main reason of declining ratio in this company is over investing in its fixed assets.

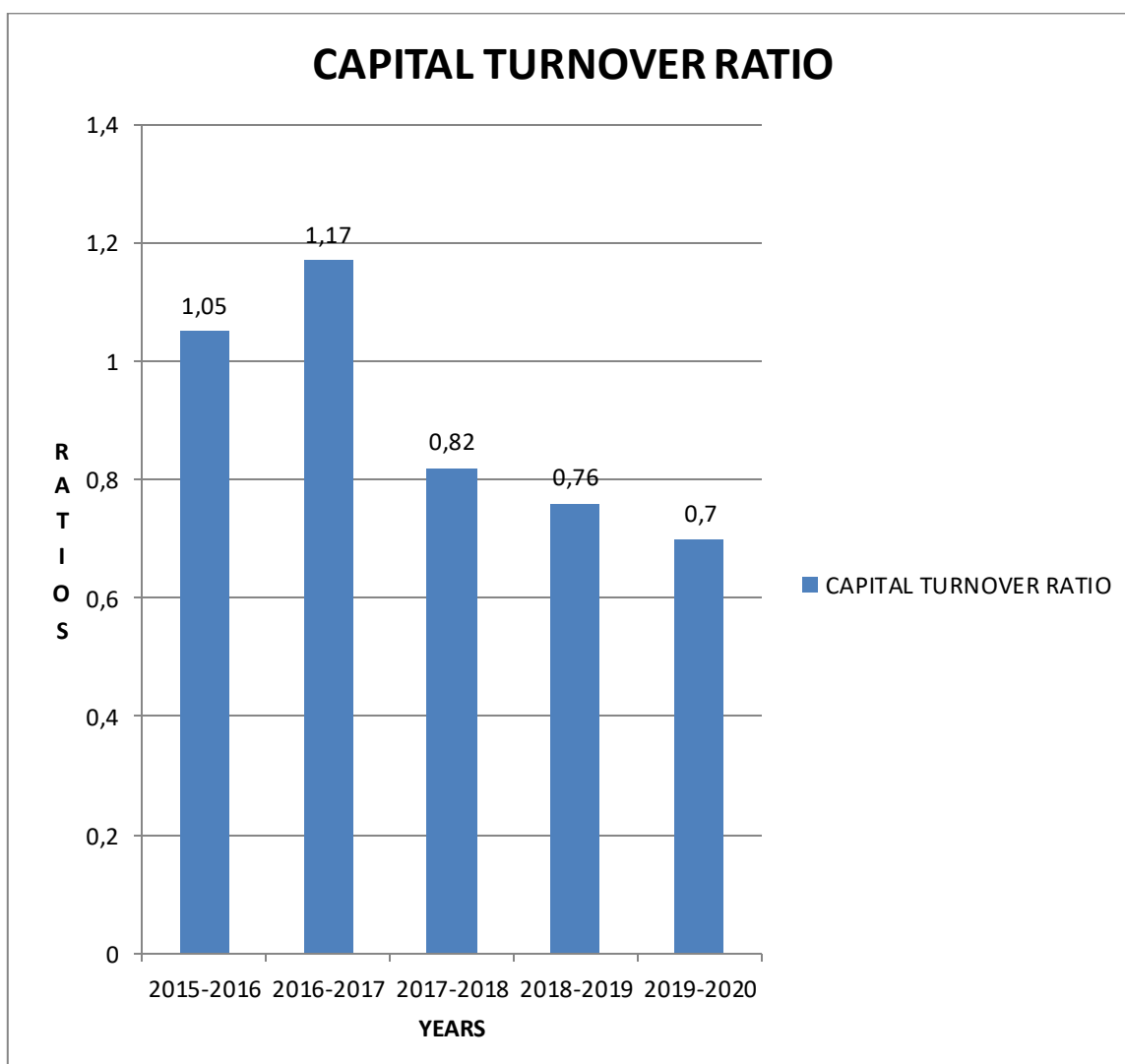
4.14 CAPITAL TURNOVER RATIO

Table 4.14

(In Crores)

YEAR	COST OF SALES	CAPITAL EMPLOYED	CAPITAL TURNOVER RATIO
2015-2016	36837.39	34930.57	1.05
2016-2017	55448.46	47385.88	1.17
2017-2018	44329.77	53524.71	0.82
2018-2019	45784.39	60176.36	0.76
2019-2020	46807.34	66145.95	0.70

Chart 4.14



INTERPRETATION

In the year 2015 – 2016 the capital turnover ratio is 1.05 and it increases to 1.17 in the year 2016 – 2017 and it declines to 0.82 in the year 2017 – 2018 and it again decreases to 0.76 in the year 2018 – 2019 and it reaches its minimum of 0.70 in the year 2019 – 2020. Higher the ratio indicates higher efficiency and lower ratio indicates ineffective usage of capital.

INFERENCES

A good capital turnover ratio should always be greater than 2.5. While a company in the utilities sector is more likely to aim for an asset turnover ratio that's between 0.25 and 0.5. where in this company the capital turnover ratio is indicating the company is productive and generates little waste and it also demonstrates the assets of the company.

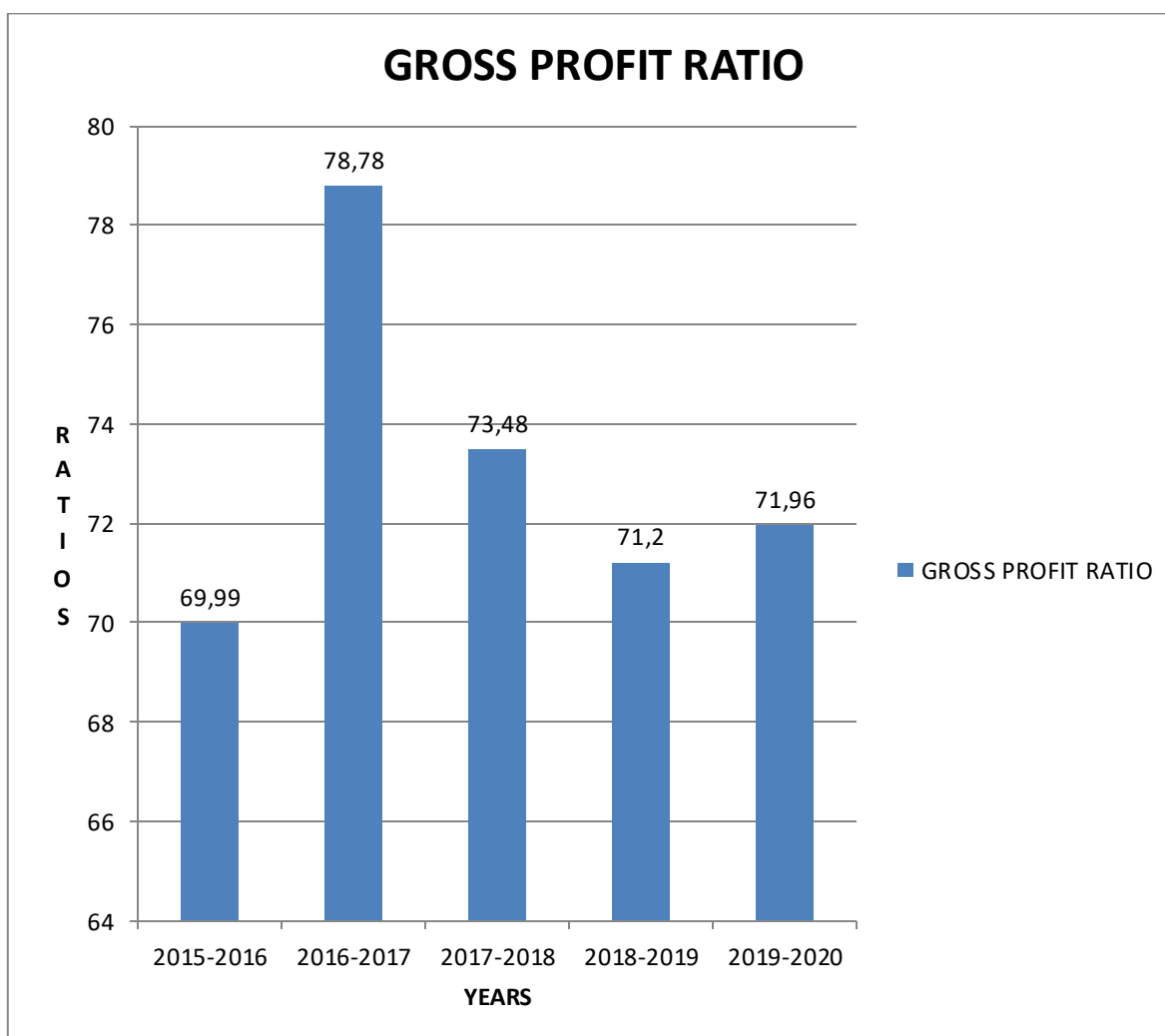
4.15 GROSS PROFIT RATIO

Table 4.15

(In Crores)

YEAR	GROSS PROFIT	REVENUE FROM OPERATIONS	GROSS PROFIT RATIO
2015-2016	25782.64	36837.39	69.99
2016-2017	43682.9	55448.46	78.78
2017-2018	32573.56	44329.77	73.48
2018-2019	32599.42	45784.39	71.20
2019-2020	33685.58	46807.34	71.96

Chart 4.15



INTERPRETATION

In the year 2015 – 2016 the gross profit ratio is 69.99 and it increases to 78.78 in the year 2016 – 2017 and it declines to 73.48 in the year 2017 – 2018 and it even decreases to 71.20 in the year 2018 – 2019 and at last it starts increases to 71.96 in the year 2019 – 2020. This ratio shows the average margin on goods sold.

INFERENCES

The minimum healthy gross profit ratio of a company is 65 %. This company's gross profit of the year 2016 – 2017 is highest as compared with other years. Normally, this company shows the average basis on gross profit ratio.

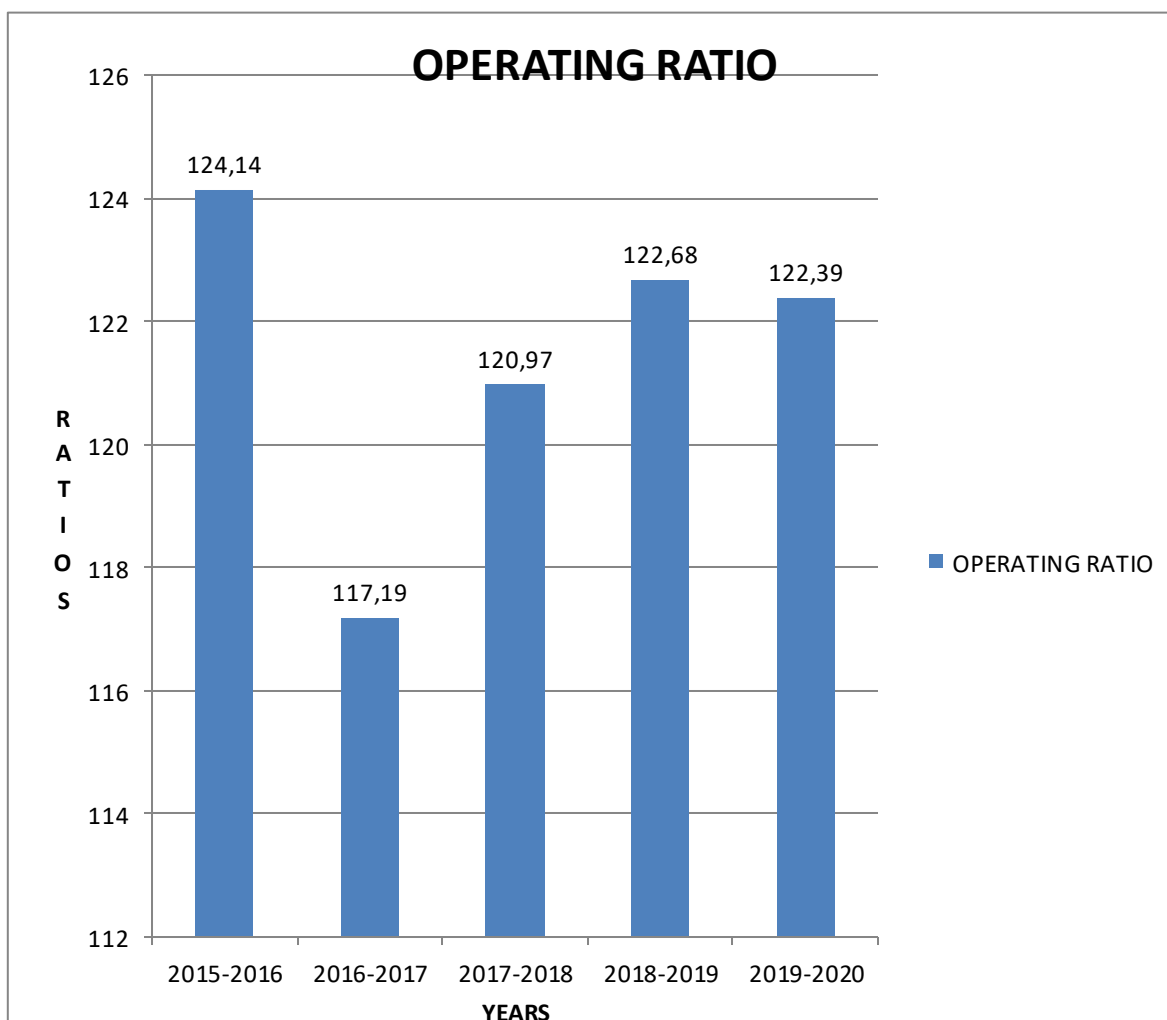
4.16 OPERATING RATIO

Table 4.16

(In Crores)

YEAR	REV FROM OPERATION + OPERATING EXP	REVENUE FROM OPERATIONS	OPERATING RATIO
2015-2016	45733.55	36837.39	124.14
2016-2017	64982.8	55448.46	117.19
2017-2018	53626.29	44329.77	120.97
2018-2019	56169.38	45784.39	122.68
2019-2020	57287.66	46807.34	122.39

Chart 4.16



INTERPRETATION

In the year 2015 – 2016 the operating ratio is 124.14 and it decreases to 117.19 in the year 2016 – 2017 and it increases to 120.97 in the year 2017 – 2018 and it again increases to 122.68 in the year 2018 – 2019 and at last it even decreases to 122.39 in the year 2019 – 2020. Lower the ratio more is the efficiency. This ratio should be low enough to provide fair return to the shareholders and other investors.

INFERENCES

The ideal operating ratio is 80 % or low is considered as desirable. Alternatively this company shows more than 80 % of operating ratio. So, this higher ratio indicates a better ability to generate revenue in the company.

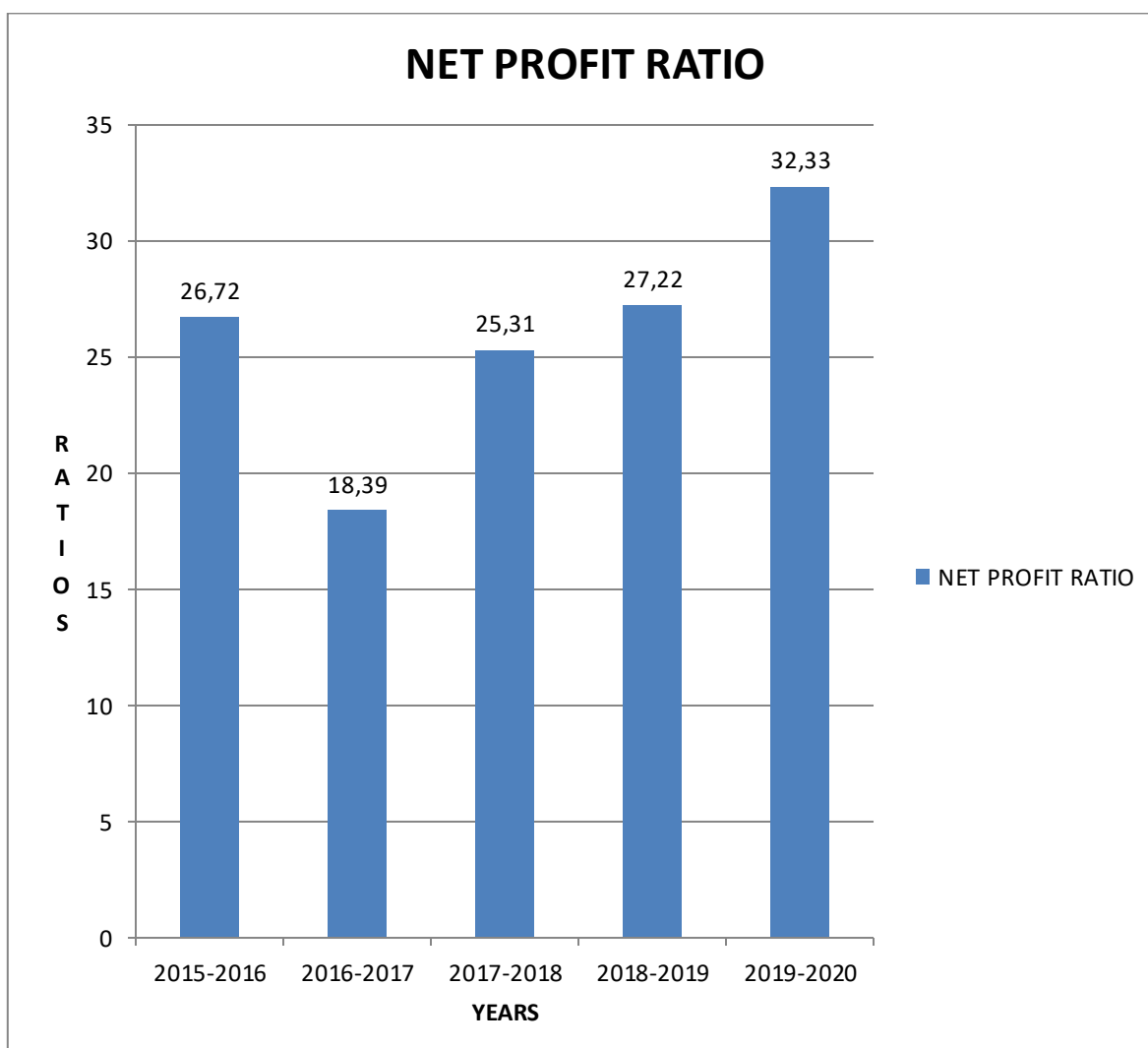
4.17 NET PROFIT RATIO

Table 4.17

(In Crores)

YEAR	NET PROFIT	REVENUE FROM OPERATIONS	NET PROFIT RATIO
2015-2016	9844.71	36837.39	26.72
2016-2017	10200.90	55448.46	18.39
2017-2018	11223.35	44329.77	25.31
2018-2019	12464.32	45784.39	27.22
2019-2020	15136.05	46807.34	32.33

Chart 4.17



INTERPRETATION

In the year 2015 – 2016 the net profit ratio is 26.72 and it decreases to 18.39 in the year 2016 – 2017 and it increases to 25.31 in the year 2017 – 2018 and it again increases to 27.22 in the year 2018 – 2019 and at last it reaches its maximum of 32.33 in the year 2019 – 2020. Higher the ratio better is the operational efficiency of the business concern.

INFERENCES

The ideal net profit margin of a company is excess of 10 % is considered as an excellent performance. In the year of 2019 – 2020 company shows the net profit higher than other years. A high net profit margin indicates that a business is pricing its products correctly and is exercising good cost control.

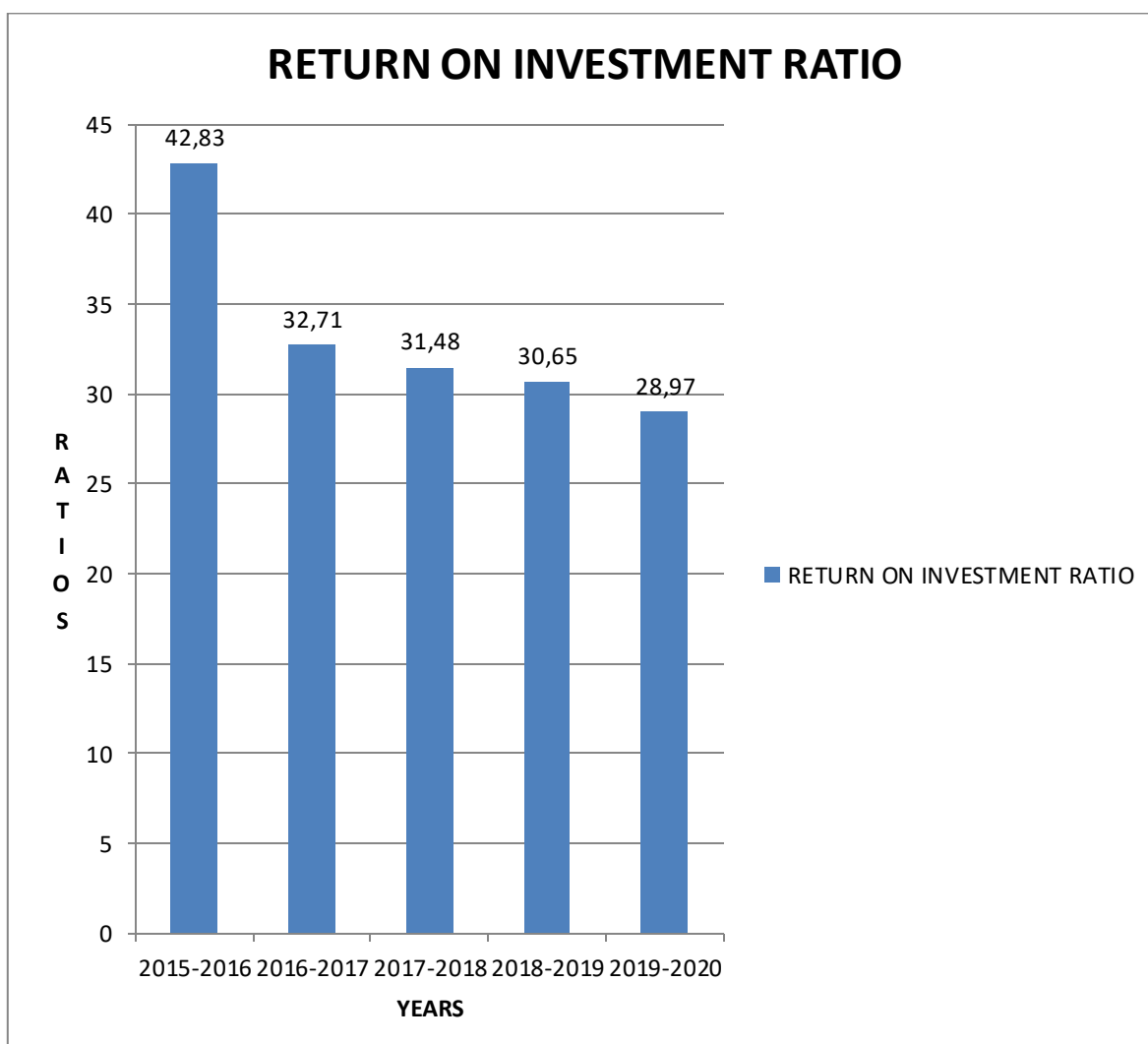
4.18 RETURN ON INVESTMENT

Table 4.18

(In Crores)

YEAR	PROFIT BEFORE TAX	CAPITAL EMPLOYED	RETURN ON INVESTMENT RATIO
2015-2016	14958.39	34930.57	42.83
2016-2017	15502.96	47385.88	32.71
2017-2018	16851.70	53524.71	31.48
2018-2019	18444.16	60176.36	30.65
2019-2020	19166.81	66145.95	28.97

Chart 4.18



INTERPRETATION

In the year 2015 – 2016 the ROI is 42.83 and it decreases to 32.71 in the year 2016 – 2017 and it declines to 31.48 in the year 2017 – 2018 and it even decreases to 30.65 in the year 2018 – 2019 and at last it reaches its minimum of 28.97 in the year 2019 – 2020. This ratio shows the average margin on goods sold.

INFERENCES

The good ideal return on investment of a company should be more than 10 %. In this company most of the investor's annual rate of return is 10 % or more for a long term investment in a stock market.

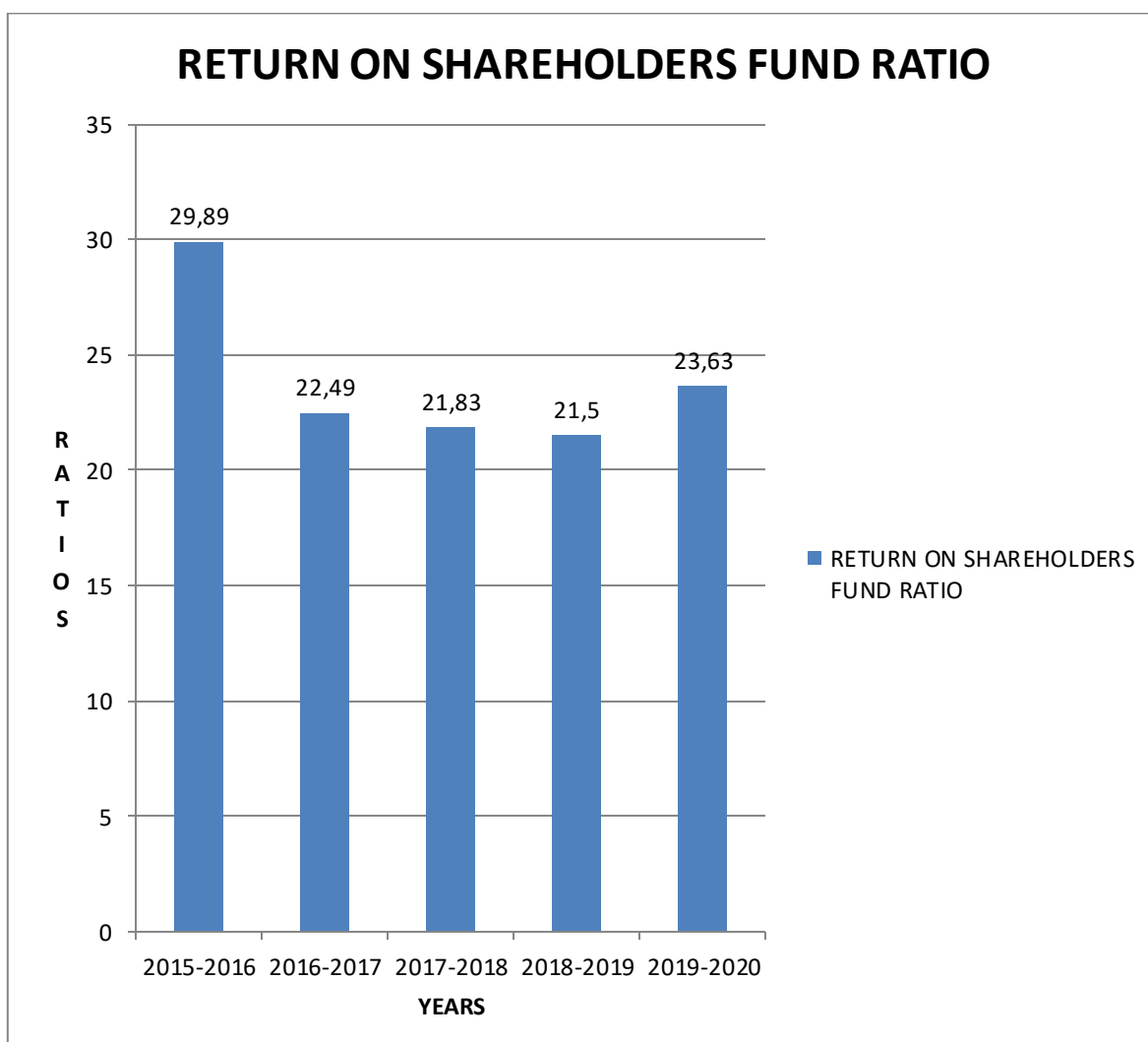
4.19 RETURN ON SHAREHOLDERS FUND

Table 4.19

(In Crores)

YEAR	NET PROFIT AFTER TAX	SHAREHOLDERS FUND	RETURN ON SHAREHOLDERS FUND RATIO
2015-2016	9844.71	32929.00	29.89
2016-2017	10200.90	45340.96	22.49
2017-2018	11223.35	51400.07	21.83
2018-2019	12464.32	57949.79	21.50
2019-2020	15136.05	64029.16	23.63

Chart 4.19



INTERPRETATION

In the year 2015 – 2016 the Return on shareholders' fund is 29.89 and it decreases to 22.49 in the year 2016 – 2017 and it declines to 21.83 in the year 2017 – 2018 and it even decreases to 21.50 in the year 2018 – 2019 and at last it reaches to 23.63 in the year 2019 – 2020. This ratio shows the average margin on goods sold.

INFERENCES

The return on shareholders' fund between 15 – 20 % is generally considered as good. This company shows very high rate of return to the shareholders in the year of 2015 – 2016 after that it declines. But, in the year of 2019 – 2020 the company's return on shareholders' fund utilise its equity to generate a profit.

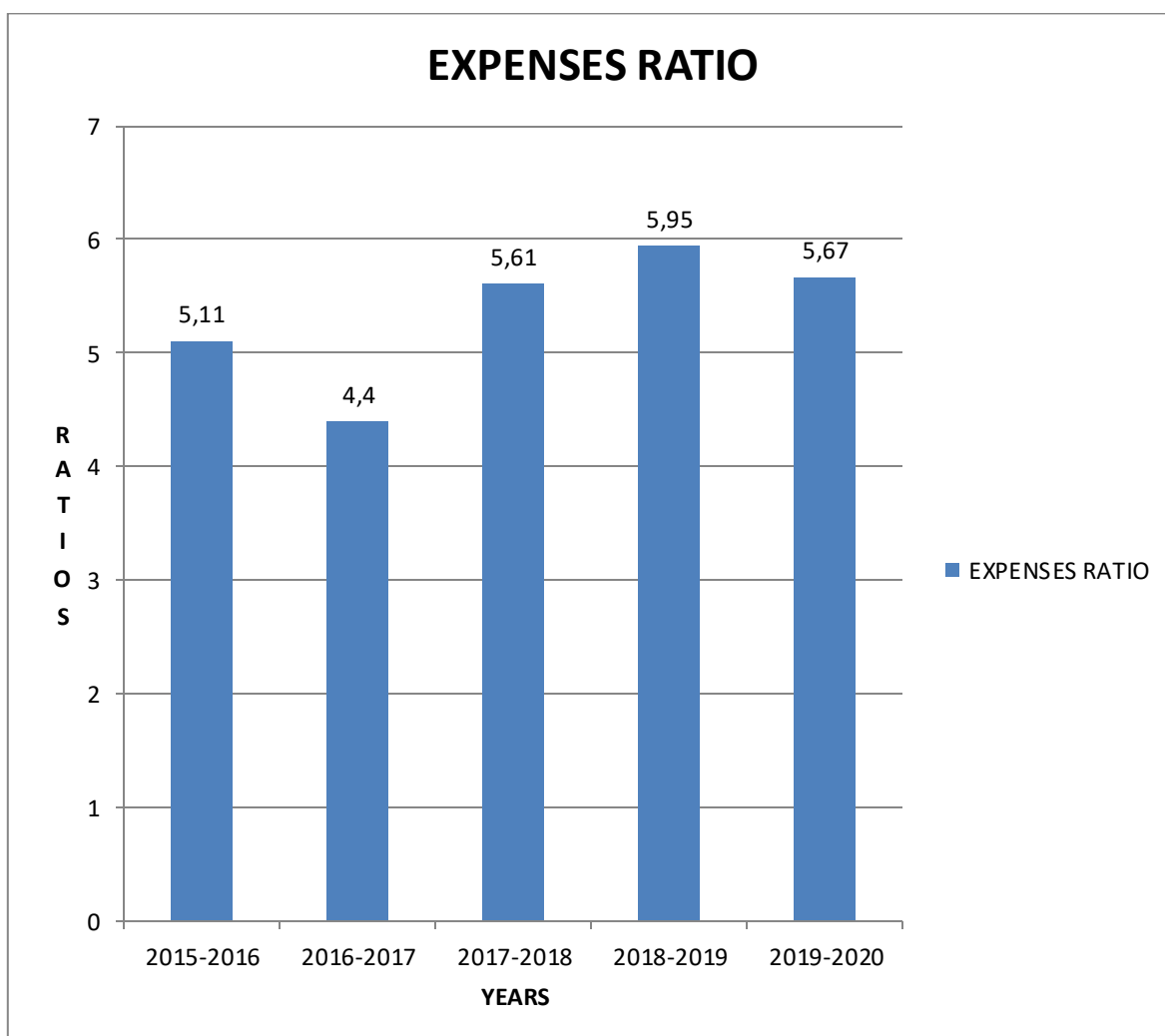
4.20 EXPENSES RATIO

Table 4.20

(In Crores)

YEAR	EMPLOYEE BENEFIT EXPENSES	SALES	EXPENSES RATIO
2015-2016	1883.51	36837.39	5.11
2016-2017	2444.31	55448.46	4.40
2017-2018	2487.46	44329.77	5.61
2018-2019	2728.44	45784.39	5.95
2019-2020	2658.21	46807.34	5.67

Chart 4.20



INTERPRETATION

In the year 2015 – 2016 the employee benefit expenses ratio is 5.11 and it decreases to 4.40 in the year 2016 – 2017 and it again increases to 5.61 in the year 2017 – 2018 and it even more increases to 5.95 in the year 2018 – 2019 and it declines to 5.67 in the year 2019 – 2020.

INFERENCES

The ideal expenses ratio of a company should be around 0.5 % to 0.75 % for an actively managed portfolio. This company record shows an expenses ratio of more than 1.5 % which is considered as high. An expenses ratio reveals the amount that an investment company charges investors to manage an investment portfolio.

TREND ANALYSIS

Showing Trend analysis of Current Assets

Table 4.21

(In Crores)

YEAR	X	Y	X ²	XY	TREND VALUE	DEVIATION
2016	-2	24134.74	4	-48269.48	21895.018	2239.722
2017	-1	24537.39	1	-24537.39	24872.609	-335.219
2018	0	24503.00	0	0	27850.2	-3347.2
2019	1	29568.96	1	29568.96	30827.791	-1258.831
2020	2	36506.91	4	73013.82	33805.382	2701.528
TOTAL		139251	10	29775.91		

Where, Deviation = y – Trend value

$$Y = a + b(x)$$

Where, $a = \Sigma y / n$

$$b = \Sigma xy \div \Sigma x^2$$

$$a = \Sigma y / n = 139251 / 5 = 27850.2$$

$$b = \Sigma xy \div \Sigma x^2 = 29775.91 / 10 = 2977.591$$

$$2016 = 27850.2 + 2977.591 (-2) = 21895.018$$

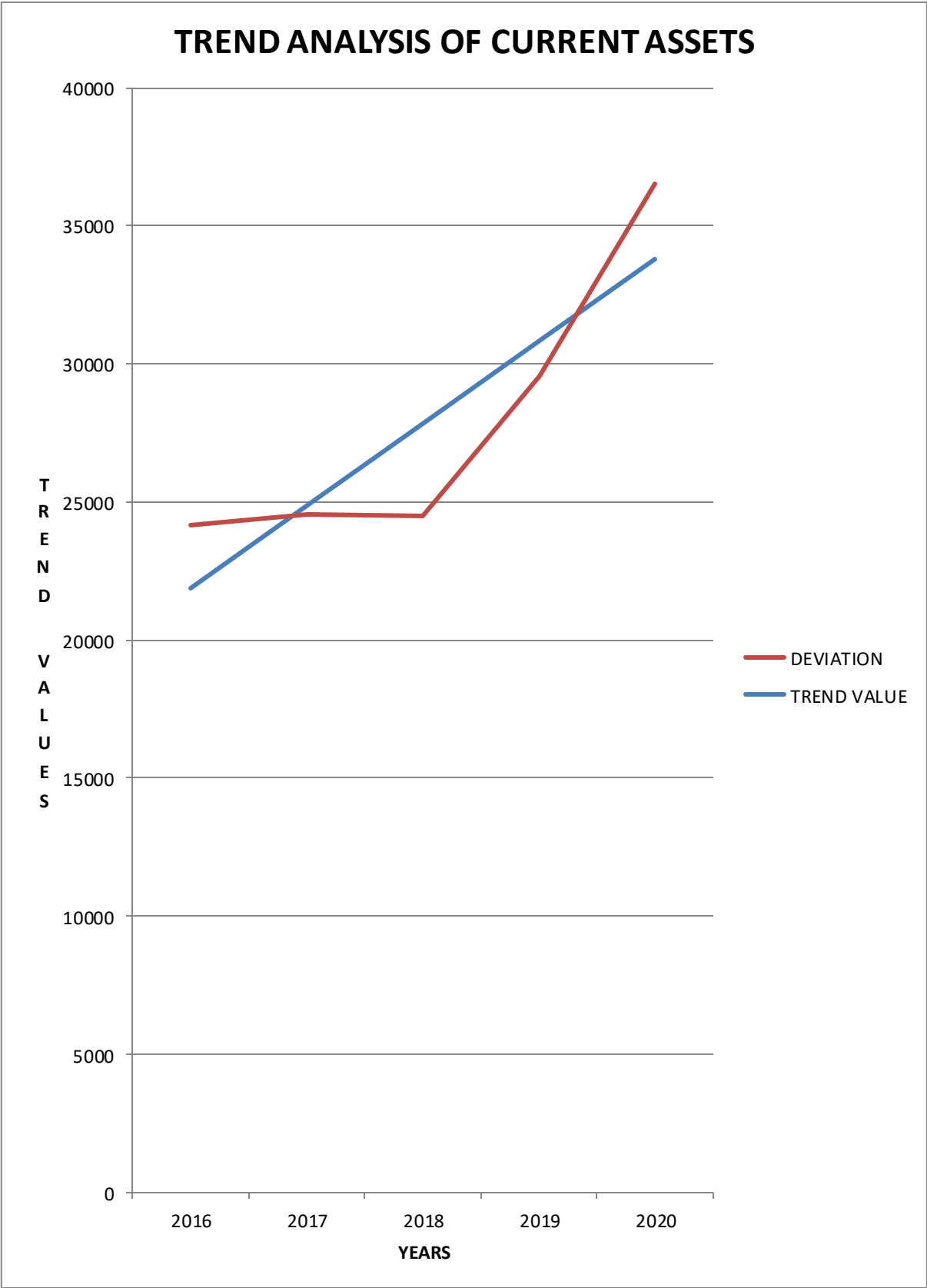
$$2017 = 27850.2 + 2977.591 (-1) = 24872.609$$

$$2018 = 27850.2 + 2977.591 (0) = 27850.2$$

$$2019 = 27850.2 + 2977.591 (1) = 30827.791$$

$$2020 = 27850.2 + 2977.591 (2) = 33805.382$$

Chart 4.21



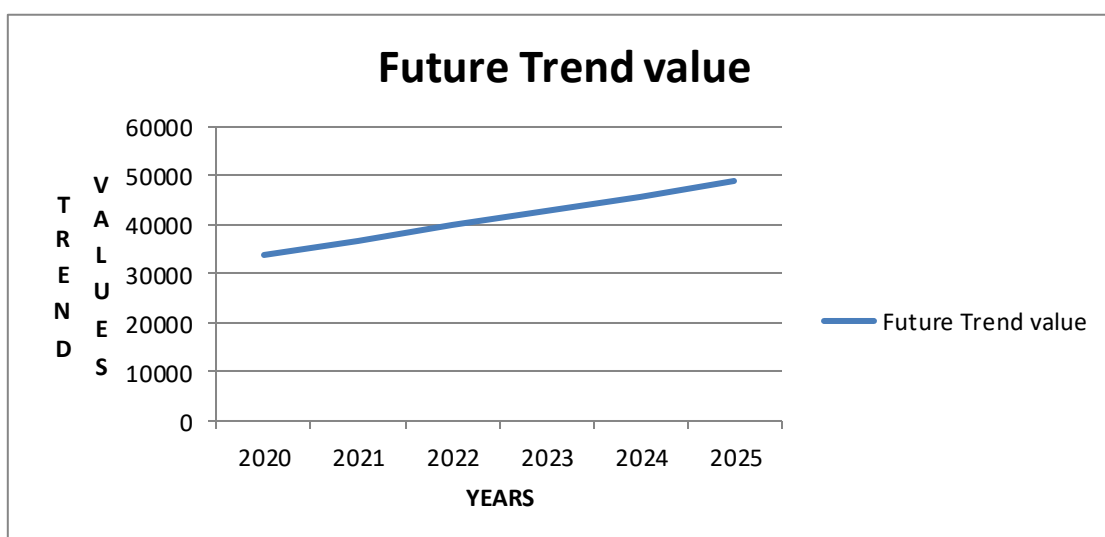
**The Projected Trend value of Current Assets for the forthcoming years
(2020-2025)**

Table 4.22

(In Crores)

Year	Future Trend value (Trend value +B)
2020	33805.382 (Base Year)
2021	36782.973
2022	39760.564
2023	42738.155
2024	45715.746
2025	48693.337

Chart 4.22



Interpretation

The trend analysis for the above years shows a very good amount increase. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current assets value. There was a phenomenal increase in growth in term of assets during the year 2020 and this is one of the major reasons that the projections are showing a good increase. In reality if we assume that the same increase in trend continues compared to 2020, the ratio for the above five years will be still higher.

Showing Trend analysis of Current Liabilities

Table 4.23

(In Crores)

YEAR	X	Y	X ²	XY	TREND VALUE	DEVIATION
2016	-2	14587.86	4	-29175.72	11438.182	3149.678
2017	-1	6830.07	1	-6830.07	10617.641	-3787.571
2018	0	8856.60	0	0	9797.1	-940.5
2019	1	9621.56	1	9621.56	8976.559	-645.001
2020	2	9089.41	4	18178.82	8156.018	933.392
TOTAL		48985.5	10	-8205.41		

Where, Deviation = y – Trend value

$$Y = a + b(x)$$

Where, $a = \Sigma y / n$

$$b = \Sigma xy \div \Sigma x^2$$

$$a = \Sigma y / n = 48985.5 / 5 = 9797.1$$

$$b = \Sigma xy \div \Sigma x^2 = -8205.41 / 10 = -820.541$$

$$2016 = 9797.1 + -820.541 (-2) = 11438.182$$

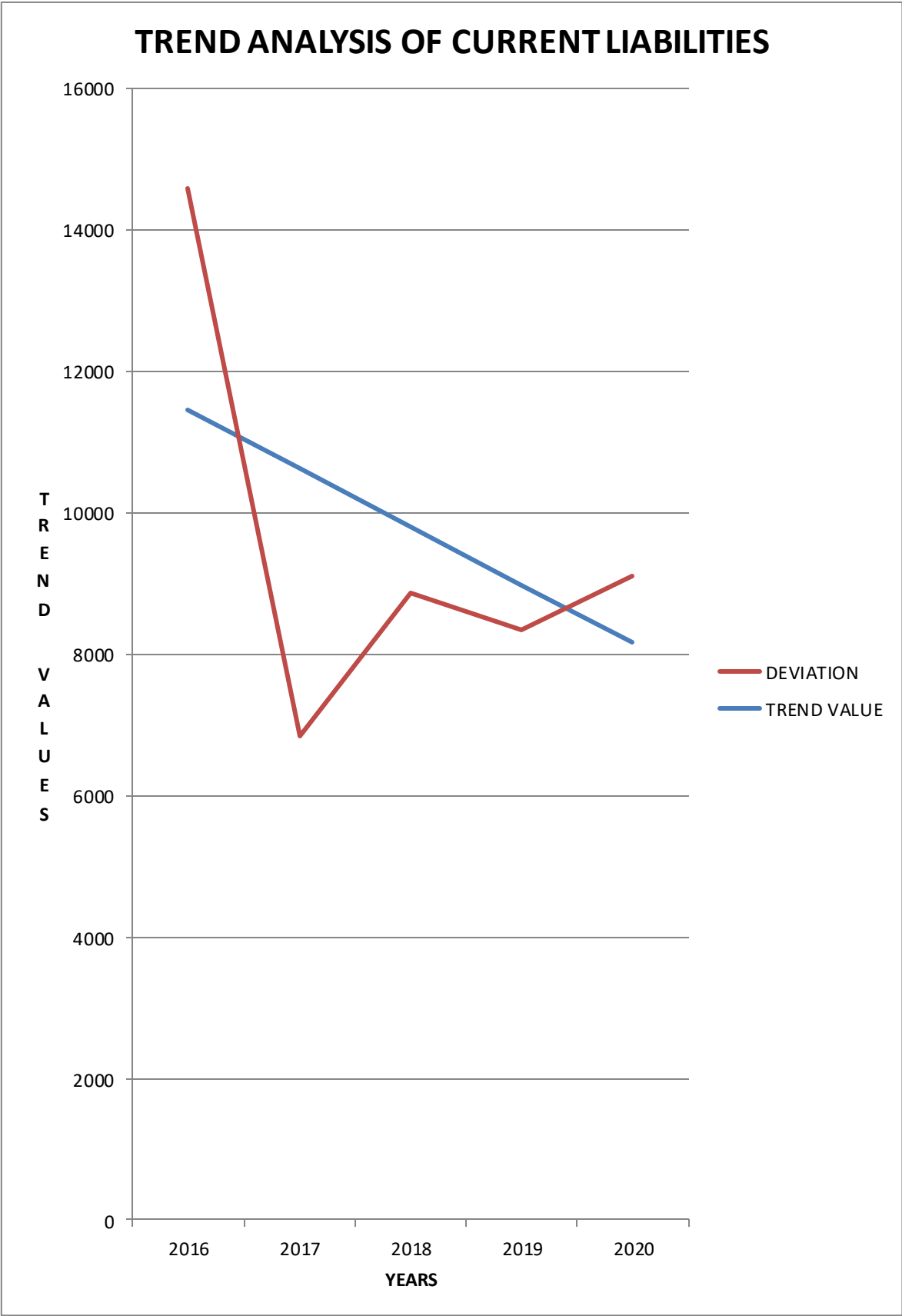
$$2017 = 9797.1 + -820.541 (-1) = 10617.641$$

$$2018 = 9797.1 + -820.541 (0) = 9797.1$$

$$2019 = 9797.1 + -820.541 (1) = 8976.559$$

$$2020 = 9797.1 + -820.541 (2) = 8156.018$$

Chart 4.23



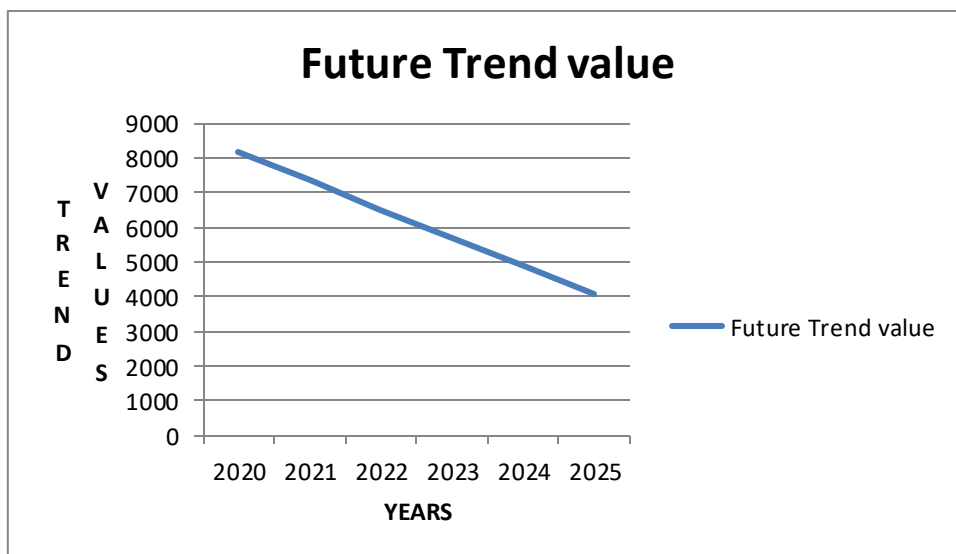
The Projected Trend value of Current Liabilities for the forthcoming years (2020-2025)

Table 4.24

(In Crores)

Year	Future Trend value (Trend value +B)
2020	8156.018 (Base Year)
2021	7335.477
2022	6514.936
2023	5694.395
2024	4873.854
2025	4053.313

Chart 4.24



Interpretation

The trend analysis for the above years shows a marginal decrease. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current liabilities value. There was a phenomenal increase in growth in term of liabilities during 2020 and this is one of the major reasons that the projections are showing a marginal decrease. In reality if we assume that the same decrease in trend continues compared to 2020, the ratio for the above five years will be still higher. This shows the efficiency of the enterprise.

COMPARATIVE BALANCE SHEET

Table 4.25

COMPARATIVE BALANCE SHEET OF ITC LTD FOR YR 2017-2018

PARTICULARS	2017	2018	(RS)	(%)
I. EQUITY & LIABILITIES				
1. Shareholders fund	45340.96	51400.07	6059.11	13.36
2. Non-current liabilities				
Financial liabilities	27.20	46.49	19.29	70.91
Provisions	131.37	121.91	(9.46)	(7.20)
Deferred tax liabilities	1871.70	1917.94	46.24	2.47
Other non-current liabilities	14.65	38.30	23.65	161.43
3. Current liabilities				
Financial liabilities	3336.01	4160.58	824.57	24.71
Provisions	41.83	39.24	(2.57)	(6.19)
Deferred tax liabilities	101.08	-----	(101.08)	(100)
Other current liabilities	3351.15	4656.78	1305.63	38.96
TOTAL	54215.95	62381.31	8165.36	15.06
II. ASSETS				
1. Non-current assets				
Fixed assets	18417.26	20591.57	2174.31	11.80
Financial assets	8591.18	15261.11	6669.93	77.63
Other non-current assets	2670.12	2025.63	(644.49)	(24.13)
2. Current assets				
Inventories	7863.99	7237.15	(626.84)	(7.97)
Financial assets	16062.83	16007.44	(55.39)	(0.34)
Other current assets	610.57	1258.41	647.84	106.10
TOTAL	54215.95	62381.31	8165.36	15.06

Table 4.26

COMPARATIVE BALANCE SHEET OF ITC LTD FOR YR 2018-2019

PARTICULARS	2018	2019	(RS)	(%)
I. EQUITY & LIABILITIES				
1. Shareholders fund	51400.07	57949.79	6549.72	12.74
2. Non-current liabilities				
Financial liabilities	46.49	49.79	3.3	7.09
Provisions	121.91	132.64	10.73	8.80
Deferred tax liabilities	1917.94	2044.144	126.2	6.57
Other non-current liabilities	38.30	-----	(38.30)	(100)
3. Current liabilities				
Financial liabilities	4160.58	4341.22	180.64	4.34
Provisions	39.24	25.24	(14)	(35.67)
Deferred tax liabilities	-----	344.70	344.70	-----
Other current liabilities	4656.78	4910.40	253.62	5.44
TOTAL	62381.31	69797.92	7416.61	11.88
II. ASSETS				
1. Non-current assets				
Fixed assets	20591.57	21887.76	1296.19	6.29
Financial assets	15261.11	16458.15	1197.19	7.84
Other non-current assets	2025.63	1883.05	(142.58)	(7.03)
2. Current assets				
Inventories	7237.15	7587.24	350.09	4.83
Financial assets	16007.44	21286.81	5279.37	32.98
Other current assets	1258.41	694.91	(563.5)	(44.77)
TOTAL	62381.31	69797.92	7416.61	11.88

Table 4.27

COMPARATIVE BALANCE SHEET OF ITC LTD FOR YR 2019-2020

PARTICULARS	2019	2020	(RS)	(%)
I. EQUITY & LIABILITIES				
1. Shareholders fund	57949.79	64029.16	6079.37	10.49
2. Non-current liabilities				
Financial liabilities	49.79	355.35	305.56	613.69
Provisions	132.64	143.79	11.15	8.40
Deferred tax liabilities	2044.144	1617.65	(426.49)	(20.86)
Other non-current liabilities	-----	-----	-----	-----
3. Current liabilities				
Financial liabilities	4341.22	4658.85	317.63	7.31
Provisions	25.24	117.94	92.7	367.27
Deferred tax liabilities	344.70	136.71	207.99	(60.33)
Other current liabilities	4910.40	4175.91	253.62	5.44
TOTAL	69797.92	75235.36	5437.44	7.79
II. ASSETS				
1. Non-current assets				
Fixed assets	21887.76	23297.75	1409.99	6.44
Financial assets	16458.15	14065.99	(2392.16)	(14.53)
Other non-current assets	1883.05	1364.71	(518.34)	(27.52)
2. Current assets				
Inventories	7587.24	8038.07	450.83	5.94
Financial assets	21286.81	27621.10	6334.29	29.75
Other current assets	694.91	847.74	152.83	21.99
TOTAL	69797.92	75235.36	5437.44	7.79

COMMON SIZE BALANCE SHEET

Table 4.28

COMMON SIZED BALANCE SHEET OF ITC LTD FOR YR 2017-2018

PARTICULARS	2017	2018	2017 (%)	2018 (%)
I. EQUITY & LIABILITIES				
1. Shareholders fund	45340.96	51400.07	83.63	82.39
2. Non-current liabilities				
Financial liabilities	27.20	46.49	0.05	0.07
Provisions	131.37	121.91	0.24	0.19
Deferred tax liabilities	1871.70	1917.94	3.45	3.07
Other non-current liabilities	14.65	38.30	0.02	0.06
3. Current liabilities				
Financial liabilities	3336.01	4160.58	6.15	6.66
Provisions	41.83	39.24	0.07	0.06
Deferred tax liabilities	101.08	-----	0.18	-----
Other current liabilities	3351.15	4656.78	6.18	7.46
TOTAL	54215.95	62381.31	100	100
II. ASSETS				
1. Non-current assets				
Fixed assets	18417.26	20591.57	33.97	33.00
Financial assets	8591.18	15261.11	15.84	24.46
Other non-current assets	2670.12	2025.63	4.92	3.24
2. Current assets				
Inventories	7863.99	7237.15	14.50	11.60
Financial assets	16062.83	16007.44	29.62	25.66
Other current assets	610.57	1258.41	1.12	2.01
TOTAL	54215.95	62381.31	100	100

Table 4.29**COMMON SIZED BALANCE SHEET OF ITC LTD FOR YR 2018-2019**

PARTICULARS	2018	2019	2018 (%)	2019 (%)
I. EQUITY & LIABILITIES				
1. Shareholders fund	51400.07	57949.79	82.39	83.02
2. Non-current liabilities				
Financial liabilities	46.49	49.79	0.07	0.07
Provisions	121.91	132.64	0.19	0.19
Deferred tax liabilities	1917.94	2044.144	3.07	2.92
Other non-current liabilities	38.30	-----	0.06	-----
3. Current liabilities				
Financial liabilities	4160.58	4341.22	6.66	6.21
Provisions	39.24	25.24	0.06	0.03
Deferred tax liabilities	-----	344.70	-----	0.49
Other current liabilities	4656.78	4910.40	7.46	7.03
TOTAL	62381.31	69797.92	100	100
II. ASSETS				
1. Non-current assets				
Fixed assets	20591.57	21887.76	33.00	31.35
Financial assets	15261.11	16458.15	24.46	23.57
Other non-current assets	2025.63	1883.05	3.24	2.69
2. Current assets				
Inventories	7237.15	7587.24	11.60	10.87
Financial assets	16007.44	21286.81	25.66	30.49
Other current assets	1258.41	694.91	2.01	0.99
TOTAL	62381.31	69797.92	100	100

Table 4.30**COMMON SIZED BALANCE SHEET OF ITC LTD FOR YR 2019-2020**

PARTICULARS	2019	2020	2019 (%)	2020 (%)
I. EQUITY & LIABILITIES				
1. Shareholders fund	57949.79	64029.16	83.02	85.10
2. Non-current liabilities				
Financial liabilities	49.79	355.35	0.07	0.47
Provisions	132.64	143.79	0.19	0.19
Deferred tax liabilities	2044.144	1617.65	2.92	2.15
Other non-current liabilities	-----	-----	-----	-----
3. Current liabilities				
Financial liabilities	4341.22	4658.85	6.21	6.19
Provisions	25.24	117.94	0.03	0.15
Deferred tax liabilities	344.70	136.71	0.49	0.18
Other current liabilities	4910.40	4175.91	7.03	5.55
TOTAL	69797.92	75235.36	100	100
II. ASSETS				
1. Non-current assets				
Fixed assets	21887.76	23297.75	31.35	30.96
Financial assets	16458.15	14065.99	23.57	18.69
Other non-current assets	1883.05	1364.71	2.69	1.81
2. Current assets				
Inventories	7587.24	8038.07	10.87	10.68
Financial assets	21286.81	27621.10	30.49	36.71
Other current assets	694.91	847.74	0.99	1.12
TOTAL	69797.92	75235.36	100	100

CHAPTER V

5.1 FINDINGS

- Current Assets are increased at an increasing rate due to an increase in debtors and the next fixed assets of the company are raised due to a rise in investment. It resulted in the rise in ratio compared to the previous year.
- This shows there is a considerable increase in the current assets with respect to current liabilities. In this situation the organization can easily manage the requirement for working capital to meet its day to day expenses.
- The net profit ratio of the firm is increases year by year; hence it shows the operational efficiency of the business is better.
- Fixed assets turnover ratio is more efficiency in utilisation of fixed assets in the year (2016 - 17) is 0.70.
- Solvency ratio makes the firm vulnerable to business cycles and its solvency become suspect & it has greater risk and lower safety to the owners.
- The cost of sales and operating expenses of employee benefit expenses are showing drastic change year by year.
- Debt to equity ratio assesses the long-term financial position and soundness of long-term financial policies of the enterprise.
- From the trend analysis for the past 5 years shows a marginal decrease. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current liabilities value. By this we come to known that debt and borrowings of the company is decreasing year by year. The current assets amount is increasing, hence the current liabilities amount is decreasing.
- The trend value of current assets is increasing year by year this shows the effectiveness and efficiency of the company.
- It is observed there is a fluctuating tend during the study period, hence the management should take remedial measures to improve the present position.

5.2 SUGGESTION

- The company should take suitable steps to improve its financial performance. It should apply tools, techniques and new technologies to increase its profitability.
- It is suggested that the fast collection of receivables will help the company in improving of inventory.
- The company should reduce its cost of sales for producing a single unit. This will increase the profitability of the product.
- The policies should be formulated for receiving outstanding balances from debtors of the previous year. For this purpose periodic reminder should be sent.
- The company follows the most conservative policy providing greatest liquidity to the firm, but also the lowest return to total assets. Investments in various assets potentially high and less, Because of new projects.
- The company should increase the employee benefit expenses such as incentive, bonus, etc.
- The company should improve the cost of production and sales value for the various products.
- Company's Profits are huge in the current year, it's better to declare dividend to the shareholders of the company.
- Steps can be taken to increase the net profit so as to increase the overall financial performance.
- The quantum of sales generated should be improved impressively in order to promote better growth and to enjoy high returns on investment.
- The companies may concentrate on their cost of production, investment in fixed assets and their sales turnover to improve their profitability.
- The company should find optimum and wealth investment options to attain wealthy position in the market.

5.3 CONCLUSION

The company's overall position is at a good position. Particularly the current year's position is well due to a raise in the profit than the previous year. It's better for the organization to diversify the funds to different sectors in the present market scenario. ITC Ltd is showing fluctuations in its profitability position in the past few years, which is concluded with the financial statement analysis. The assets were increased but the working capital is decreased which says that the firm is not able to meet its current liabilities. The calculation of Current and Liquid Ratio will enable the creditors to access the current financial position of the concern in relation to their debts. Preparation of financial statements enables the government to find out whether the organization is following various rules and regulations or not. These statements provide a base for regulation of the company. It is not only helpful to analyze the present financial position it also enables to study the future prospects and the expansion plans of the concern.

The financial health plays a significant role in the successful functioning of a firm. The analysis and interpretation of financial statement is essential to bring out the mystery behind the figures in the financial statement. Financial analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings ability to pay interest and debt maturities and profitability of sound dividend policies. The estimated discriminate function could be of great use for the management in ascertaining the financial health. This study would also useful to the company's policy makers and researchers for appraising financial health.

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APPENDIX I



Balance Sheet as at 31st March, 2016

	Note	As at 31st March, 2016 (₹ in Crores)		As at 31st March, 2015 (₹ in Crores)	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	804.72		801.55	
Reserves and surplus	2	32124.28	32929.00	29934.14	30735.69
Non-current liabilities					
Long-term borrowings	3	25.83		38.69	
Deferred tax liabilities (Net)	4	1848.42		1631.60	
Other Long term liabilities	5	15.13		7.05	
Long-term provisions	6	112.19	2001.57	100.72	1778.06
Current liabilities					
Short-term borrowings	7	3.60		0.02	
Trade payables					
Total outstanding dues of micro enterprises and small enterprises		32.92		21.91	
Total outstanding dues of creditors other than micro enterprises and small enterprises		2232.67	2265.59	1882.71	1904.62
Other current liabilities	8	4000.08		3671.18	
Short-term provisions	9	8318.59	14587.86	6106.09	11681.91
TOTAL		49518.43		44195.66	
ASSETS					
Non-current assets					
Fixed assets	10				
Tangible assets		13816.77		13777.14	
Intangible assets		387.76		401.35	
Capital work-in-progress - Tangible assets		2470.08		2085.49	
Intangible assets under development		30.75		28.65	
		16705.36		16292.63	
Non-current investments	11	6392.90		2441.64	
Long-term loans and advances	12	2285.43	25383.69	1506.36	20240.63
Current assets					
Current investments	13	6461.34		5963.82	
Inventories	14	8519.82		7836.76	
Trade receivables	15	1686.35		1722.40	
Cash and bank balances	16	6563.95		7588.61	
Short-term loans and advances	17	501.84		549.89	
Other current assets	18	401.44	24134.74	293.55	23955.03
TOTAL		49518.43		44195.66	

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
SHYAMAK R TATA
Partner
Kolkata, 20th May, 2016

On behalf of the Board

Y. C. DEVESHWAR
R. TANDON
B. B. CHATTERJEE

Chairman
Director & Chief Financial Officer
Company Secretary



Statement of Profit and Loss for the year ended 31st March, 2016

	Note	For the year ended 31st March, 2016 (₹ In Crores)	For the year ended 31st March, 2015 (₹ In Crores)
Gross Income	19	53748.31	51932.14
Gross Revenue from sale of products and services	20	51582.45	49964.82
Less: Excise Duty		15107.18	13881.61
Net Revenue from sale of products and services		36475.27	36083.21
Other operating revenue		362.12	424.19
Revenue from operations	21	36837.39	36507.40
Other income	22	1803.74	1543.13
Total Revenue		38641.13	38050.53
Expenses			
Cost of materials consumed	23	11054.75	10987.83
Purchases of Stock-in-Trade	24	2590.08	3898.66
Changes in inventories of finished goods, Work-in-progress, Stock-in-Trade and Intermediates	25	58.17	(214.53)
Employee benefits expense	26	1883.51	1780.04
Finance costs	27	49.13	57.42
Depreciation and amortisation expense		1034.45	961.74
Other expenses	28	7012.65	6581.85
Total Expenses		23682.74	24053.01
Profit before tax		14958.39	13997.52
Tax expense:			
Current tax	29	4896.06	4020.99
Deferred tax	30	217.62	368.80
Profit for the year		9844.71	9607.73
Earnings per share (Face Value ₹ 1.00 each)	31 (i)		
Basic		₹ 12.26	₹ 12.05
Diluted		₹ 12.20	₹ 11.93

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
SHYAMAK R TATA
Partner
Kolkata, 20th May, 2016

On behalf of the Board

Y. C. DEVESHWAR	Chairman
R. TANDON	Director & Chief Financial Officer
B. B. CHATTERJEE	Company Secretary



Balance Sheet as at 31st March, 2017

	Note	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
ASSETS				
Non-current assets				
(a) Property, Plant and Equipment	3A	14469.32	13591.96	13572.99
(b) Capital work-in-progress	3B	3491.33	2388.42	2010.47
(c) Intangible assets	3C	410.92	419.01	401.35
(d) Intangible assets under development	3D	45.69	30.75	28.65
(e) Financial Assets				
(i) Investments	4	8485.51	6853.20	2878.03
(ii) Loans	5	5.84	8.12	9.34
(iii) Others	6	99.83 8591.18	1031.18 7892.50	1381.22 4268.59
(f) Other non-current assets	7	2670.12 29678.56	2474.72 26797.36	1707.64 21989.69
Current assets				
(a) Inventories	8	7863.99	8519.82	7836.76
(b) Financial Assets				
(i) Investments	9	10099.78	6471.33	6091.59
(ii) Trade receivables	10	2207.50	1686.35	1722.40
(iii) Cash and cash equivalents	11	156.15	75.79	36.29
(iv) Other Bank Balances	12	2591.12	5563.41	6236.52
(v) Loans	5	3.37	3.85	40.09
(vi) Others	6	1004.91 16062.83	407.22 14207.95	255.58 14382.47
(c) Other current assets	7	610.57 24537.39	506.15 23233.92	555.89 22775.12
TOTAL ASSETS		54215.95	50031.28	44764.81
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	13	1214.74	804.72	801.55
(b) Other Equity		44126.22 45340.96	40851.71 41656.43	36486.28 37287.83
Liabilities				
Non-current liabilities				
(a) Financial Liabilities				
(i) Borrowings	14	17.99	25.83	38.69
(ii) Other financial liabilities	15	9.21 27.20	15.13 40.96	7.05 45.74
(b) Provisions	16	131.37	112.19	100.72
(c) Deferred tax liabilities (Net)	17	1871.70	1867.43	1677.22
(d) Other non-current liabilities	18	14.65 2044.92	- 2020.58	- 1823.68
Current liabilities				
(a) Financial Liabilities				
(i) Borrowings	19	0.01	3.60	0.02
(ii) Trade payables		2551.22	2228.01	1872.97
(iii) Other financial liabilities	15	784.78 3336.01	594.71 2826.32	646.79 2519.78
(b) Other current liabilities	18	3351.15	3441.96	3056.99
(c) Provisions	16	41.83	57.60	74.98
(d) Current Tax Liabilities (Net)	20	101.08 6830.07	28.39 6354.27	1.55 5653.30
TOTAL EQUITY AND LIABILITIES		54215.95	50031.28	44764.81

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary



Statement of Profit and Loss for the year ended 31st March, 2017

	Note	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
I Revenue From Operations	21A	55448.46	51944.57
II Other Income	22	1985.91	1769.26
III Total Income (I+II)		57434.37	53713.83
IV EXPENSES			
Cost of materials consumed		11765.56	11054.75
Purchases of Stock-in-Trade		3566.57	2591.80
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		644.17	(196.55)
Excise duty		15359.78	15361.90
Employee benefits expense	23	2444.31	2331.59
Finance costs	24	22.95	49.13
Depreciation and amortization expense		1038.04	1000.68
Other expenses	25	7090.03	7086.46
Total expenses (IV)		41931.41	39279.76
V Profit before tax (III- IV)		15502.96	14434.07
VI Tax expense:			
Current Tax	26	5285.65	4896.06
Deferred Tax	26	16.41	209.64
VII Profit for the year (V-VI)		10200.90	9328.37
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
– Remeasurements of the defined benefit plans	27(vi)(a)	(27.96)	(53.84)
– Equity instruments through other comprehensive income		129.95	(29.85)
– Effective portion of losses on designated portion of hedging instruments in a cash flow hedge		(61.19)	–
(ii) Income tax relating to items that will not be reclassified to profit or loss	26	24.22	18.63
B (i) Items that will be reclassified to profit or loss:			
– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		18.29	(2.32)
(ii) Income tax relating to items that will be reclassified to profit or loss	26	(6.31)	0.80
VIII Other Comprehensive Income [A (i-ii) + B (i-ii)]		77.00	(66.58)
IX Total Comprehensive Income for the year (VII+VIII)		10277.90	9261.79
X Earnings per equity share (Face Value ₹ 1.00 each):	27(i)		
(1) Basic (in ₹)		8.43	7.74
(2) Diluted (in ₹)		8.38	7.70

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR	Chairman
S. PURI	Chief Executive Officer & Director
R. TANDON	Director & Chief Financial Officer
B. B. CHATTERJEE	Company Secretary



Balance Sheet as at 31st March, 2018

	Note	As at 31st March, 2018 (₹ in Crores)		As at 31st March, 2017 (₹ in Crores)	
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	3A	15120.00		14469.32	
(b) Capital work-in-progress	3B	5016.85		3491.33	
(c) Intangible assets	3C	445.99		410.92	
(d) Intangible assets under development	3D	8.73		45.69	
(e) Financial Assets					
(i) Investments	4	13493.77		8485.51	
(ii) Loans	5	7.40		5.84	
(iii) Others	6	1741.28	15242.45	99.83	8591.18
(f) Income Tax Assets (Net)	20A	18.66		-	
(g) Other non-current assets	7	2025.63	37878.31	2670.12	29678.56
Current assets					
(a) Inventories	8	7237.15		7863.99	
(b) Financial Assets					
(i) Investments	9	9903.45		10099.78	
(ii) Trade receivables	10	2357.01		2207.50	
(iii) Cash and cash equivalents	11	96.03		156.15	
(iv) Other Bank Balances	12	2498.85		2591.12	
(v) Loans	5	4.15		3.37	
(vi) Others	6	1147.95	16007.44	1004.91	16062.83
(c) Other current assets	7	1258.41	24503.00	610.57	24537.39
TOTAL ASSETS		62381.31		54215.95	
EQUITY AND LIABILITIES					
Equity					
(a) Equity Share capital	13	1220.43		1214.74	
(b) Other Equity		50179.64	51400.07	44126.22	45340.96
Liabilities					
Non-current liabilities					
(a) Financial Liabilities					
(i) Borrowings	14	11.13		17.99	
(ii) Other financial liabilities	15	35.36	46.49	9.21	27.20
(b) Provisions	16	121.91		131.37	
(c) Deferred tax liabilities (Net)	17	1917.94		1871.70	
(d) Other non-current liabilities	18	38.30	2124.64	14.65	2044.92
Current liabilities					
(a) Financial Liabilities					
(i) Borrowings	19	-		0.01	
(ii) Trade payables		3382.28		2551.22	
(iii) Other financial liabilities	15	778.30	4160.58	784.78	3336.01
(b) Other current liabilities	18	4656.78		3351.15	
(c) Provisions	16	39.24		41.83	
(d) Current Tax Liabilities (Net)	20B	-		8856.60	101.08
TOTAL EQUITY AND LIABILITIES		62381.31		54215.95	

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner

Gurugram, 16th May, 2018

On behalf of the Board

Y. C. DEVESHWAR
S. PURI
R. TANDON
R. K. SINGHI

Chairman
Managing Director
Director & Chief Financial Officer
Company Secretary



Statement of Profit and Loss for the year ended 31st March, 2018

	Note	For the year ended 31st March, 2018 (₹ in Crores)	For the year ended 31st March, 2017 (₹ in Crores)
I Revenue From Operations*	21A, 21B	44329.77	55448.46
II Other Income	22	2129.84	1985.91
III Total Income (I+II)		46459.61	57434.37
IV EXPENSES			
Cost of materials consumed		11756.21	11765.56
Purchases of Stock-in-Trade		2991.98	3566.57
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		1041.85	644.17
Excise duty		3702.23	15359.78
Employee benefits expense	23	2487.46	2444.31
Finance costs	24	86.65	22.95
Depreciation and amortization expense		1145.37	1038.04
Other expenses	25	6809.06	7090.03
Total expenses (IV)		30020.81	41931.41
V Profit before exceptional items and tax (III-IV)		16438.80	15502.96
VI Exceptional Items	27(i)	412.90	-
VII Profit before tax (V+VI)		16851.70	15502.96
VIII Tax expense:			
Current Tax	26	5599.83	5285.65
Deferred Tax	26	28.62	16.41
IX Profit for the year (VII-VIII)		11223.25	10200.90
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
- Remeasurements of the defined benefit plans	27(vii)(a)	80.83	(27.96)
- Equity instruments through other comprehensive income		335.10	129.95
- Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		10.29	(61.19)
(ii) Income tax relating to items that will not be reclassified to profit or loss	26	(31.61)	24.22
B (i) Items that will be reclassified to profit or loss:			
- Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(18.69)	18.29
(ii) Income tax relating to items that will be reclassified to profit or loss	26	6.42	(6.31)
X Other Comprehensive Income [A (i-ii) + B (i-ii)]		382.34	77.00
XI Total Comprehensive Income for the year (IX + X)		11605.59	10277.90
XII Earnings per equity share (Face Value ₹ 1.00 each):	27(ii)		
(1) Basic (in ₹)		9.22	8.43
(2) Diluted (in ₹)		9.16	8.38

* Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July, 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc. have been replaced by GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT, etc. are excluded and NCCD is not excluded from Gross Revenue from sale of products and services for applicable periods. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services and Excise duty for the year ended 31st March, 2018 is not comparable with the previous year. Following additional information is being provided to facilitate such comparison:

Gross Sales Value (net of rebates and discounts) (A)	67081.92	64174.17
Taxes other than Excise Duty/NCCD (B)@	23125.02	9172.48
Gross Revenue from sale of products and services [C = (A-B)]	43956.90	55001.69
Other Operating Revenues (D)	372.87	446.77
Revenue From Operations [E = (C+D)]	44329.77	55448.46

@ Taxes include GST, GST Compensation Cess, Service Tax, VAT, Luxury Tax etc., as applicable for the reported periods.

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner

Gurugram, 16th May, 2018

On behalf of the Board

Y. C. DEVESHWAR
S. PURI
R. TANDON
R. K. SINGHI

Chairman
Managing Director
Director & Chief Financial Officer
Company Secretary



Balance Sheet as at 31st March, 2019

	Note	As at 31st March, 2019 (₹ in Crores)		As at 31st March, 2018 (₹ in Crores)	
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	3A	17945.65		15120.00	
(b) Capital work-in-progress	3B	3391.47		5016.85	
(c) Intangible assets	3C	540.75		445.99	
(d) Intangible assets under development	3D	9.89		8.73	
(e) Financial Assets					
(i) Investments	4	14071.45		13493.77	
(ii) Loans	5	6.21		7.40	
(iii) Others	6	2380.49	16458.15	1741.28	15242.45
(f) Income Tax Assets (Net)	19	–		18.66	
(g) Other non-current assets	7	1883.05	40228.96	2025.63	37878.31
Current assets					
(a) Inventories	8	7587.24		7237.15	
(b) Financial Assets					
(i) Investments	9	12506.55		9903.45	
(ii) Trade receivables	10	3646.22		2357.01	
(iii) Cash and cash equivalents	11	162.71		96.03	
(iv) Other Bank Balances	12	3606.02		2498.85	
(v) Loans	5	5.02		4.15	
(vi) Others	6	1360.29	21286.81	1147.95	16007.44
(c) Other current assets	7	694.91	29568.96	1258.41	24503.00
TOTAL ASSETS		69797.92		62381.31	
EQUITY AND LIABILITIES					
Equity					
(a) Equity Share capital	13	1225.86		1220.43	
(b) Other Equity		56723.93	57949.79	50179.64	51400.07
Liabilities					
Non-current liabilities					
(a) Financial Liabilities					
(i) Borrowings	14	7.89		11.13	
(ii) Other financial liabilities	15	41.90	49.79	35.36	46.49
(b) Provisions	16	132.64		121.91	
(c) Deferred tax liabilities (Net)	17	2044.14		1917.94	
(d) Other non-current liabilities	18	– 2226.57		38.30 2124.64	
Current liabilities					
(a) Financial Liabilities					
(i) Trade payables					
Total outstanding dues of micro enterprises and small enterprises		54.32		29.43	
Total outstanding dues of creditors other than micro enterprises and small enterprises		3313.96		3352.85	
(ii) Other financial liabilities	15	972.94	4341.22	778.30	4160.58
(b) Other current liabilities	18	4910.40		4656.78	
(c) Provisions	16	25.24		39.24	
(d) Current Tax Liabilities (Net)	20	344.70	9621.56	–	8856.60
TOTAL EQUITY AND LIABILITIES		69797.92		62381.31	

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner

Gurugram, 13th May, 2019

On behalf of the Board

S. PURI
R. TANDON
R. K. SINGHI

Chairman & Managing Director
Director & Chief Financial Officer
Company Secretary



Statement of Profit and Loss for the year ended 31st March, 2019

	Note	For the year ended 31st March, 2019 (₹ in Crores)	For the year ended 31st March, 2018 (₹ in Crores)
I Revenue From Operations*	21A, 21B	45784.39	44329.77
II Other Income	22	2484.54	2129.84
III Total Income (I+II)		48268.93	46459.61
IV EXPENSES			
Cost of materials consumed		13184.97	11756.21
Purchases of Stock-in-Trade		4300.32	2991.98
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		(180.14)	1041.85
Excise duty		788.74	3702.23
Employee benefits expense	23	2728.44	2487.46
Finance costs	24	34.19	86.65
Depreciation and amortization expense		1311.70	1145.37
Other expenses	25	7656.55	6809.06
Total expenses (IV)		29824.77	30020.81
V Profit before exceptional items and tax (III-IV)		18444.16	16438.80
VI Exceptional Items		—	412.90
VII Profit before tax (V+VI)		18444.16	16851.70
VIII Tax expense:			
Current Tax	26	5849.24	5599.83
Deferred Tax	26	130.60	28.62
IX Profit for the year (VII-VIII)		12464.32	11223.25
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
— Remeasurements of the defined benefit plans	27(vi)(a)	9.26	80.83
— Equity instruments through other comprehensive income		370.11	335.10
— Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(21.05)	10.29
(ii) Income tax relating to items that will not be reclassified to profit or loss	26	3.69	(31.61)
B (i) Items that will be reclassified to profit or loss:			
— Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		0.85	(18.69)
(ii) Income tax relating to items that will be reclassified to profit or loss	26	(0.30)	6.42
X Other Comprehensive Income [A (i-ii)+B (i-ii)]		362.56	382.34
XI Total Comprehensive Income for the year (IX+X)		12826.88	11605.59
XII Earnings per equity share (Face Value ₹ 1.00 each):	27(i)		
(1) Basic (in ₹)		10.19	9.22
(2) Diluted (in ₹)		10.13	9.16

* Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July, 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc. have been replaced by GST. In accordance with Indian Accounting Standards and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT, etc. are excluded and NCCD is not excluded from Gross Revenue from sale of products and services for applicable periods. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services and Excise duty for the year ended 31st March, 2019 are not comparable with the previous year. Following additional information is being provided to facilitate such comparison:

Gross Sales Value (net of rebates and discounts) (A)	75309.36	67081.92
Taxes other than Excise duty/NCCD (B)@	30087.95	23125.02
Gross Revenue from sale of products and services [C = (A-B)]	45221.41	43956.90
Other Operating Revenues (D)	562.98	372.87
Revenue From Operations [E = (C+D)]	45784.39	44329.77

@ Taxes include GST, GST Compensation Cess, Service Tax, VAT, Luxury Tax etc., as applicable for the reported periods.

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner

Gurugram, 13th May, 2019

On behalf of the Board

S. PURI
R. TANDON
R. K. SINGHI

Chairman & Managing Director
Director & Chief Financial Officer
Company Secretary



Balance Sheet as at 31st March, 2020

	Note	As at 31st March, 2020 (₹ in Crores)	As at 31st March, 2019 (₹ in Crores)
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	3A	18932.57	17945.65
(b) Capital work-in-progress	3B	2776.31	3391.47
(c) Investment Property	3E	385.36	—
(d) Intangible assets	3C	519.45	540.75
(e) Intangible assets under development	3D	3.89	9.89
(f) Right of Use Assets	3F	680.17	—
(g) Financial Assets			
(i) Investments	4	13455.59	14071.45
(ii) Loans	5	3.31	6.21
(iii) Others	6	607.09	14065.99
(h) Other non-current assets	7	1364.71	38728.45
Current assets			
(a) Inventories	8	8038.07	7587.24
(b) Financial Assets			
(i) Investments	9	17175.02	12506.55
(ii) Trade receivables	10	2092.00	3646.22
(iii) Cash and cash equivalents	11	561.84	162.71
(iv) Other Bank Balances	12	6281.43	3606.02
(v) Loans	5	4.87	5.02
(vi) Others	6	1505.94	27621.10
(c) Other current assets	7	847.74	36506.91
TOTAL ASSETS		75235.36	69797.92
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	13	1229.22	1225.86
(b) Other Equity		62799.94	64029.16
Liabilities			
Non-current liabilities			
(a) Financial Liabilities			
(i) Borrowings	14	5.63	7.89
(ii) Lease Liabilities	15	259.25	—
(iii) Other financial liabilities	16	90.47	355.35
(b) Provisions	17	143.79	41.90
(c) Deferred tax liabilities (Net)	18	1617.65	2116.79
Current liabilities			
(a) Financial Liabilities			
(i) Trade payables			
Total outstanding dues of micro enterprises and small enterprises		34.67	54.32
Total outstanding dues of creditors other than micro enterprises and small enterprises		3412.07	3313.96
(ii) Lease Liabilities	15	64.87	—
(iii) Other financial liabilities	16	1147.24	4658.85
(b) Other current liabilities	19	4175.91	972.94
(c) Provisions	17	117.94	4341.22
(d) Current Tax Liabilities (Net)	20	136.71	9089.41
TOTAL EQUITY AND LIABILITIES		75235.36	69797.92

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For S R B C & CO LLP
Chartered Accountants
Firm Registration Number: 324982E/E300003
Sudhir Soni
Partner
Mumbai, June 26, 2020

On behalf of the Board

S. PURI
R. TANDON
R. K. SINGHI

Chairman & Managing Director
Director & Chief Financial Officer
Company Secretary
Kolkata, June 26, 2020

Statement of Profit and Loss for the year ended 31st March, 2020

	Note	For the year ended 31st March, 2020 (₹ in Crores)	For the year ended 31st March, 2019 (₹ in Crores)
I Revenue From Operations	21A, 21B	46807.34	45784.39
II Other Income	22	3013.66	2484.54
III Total Income (I+II)		49821.00	48268.93
IV EXPENSES			
Cost of materials consumed		13121.76	13184.97
Purchases of Stock-in-Trade		4289.71	4300.32
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		(176.34)	(180.14)
Excise duty		1187.64	788.74
Employee benefits expense	23	2658.21	2728.44
Finance costs	24	55.72	34.19
Depreciation and amortization expense		1563.27	1311.70
Other expenses	25	7822.11	7656.55
Total expenses (IV)		30522.08	29824.77
V Profit before exceptional items and tax (III-IV)		19298.92	18444.16
VI Exceptional Items	27(i)	(132.11)	—
VII Profit before tax (V+VI)		19166.81	18444.16
VIII Tax expense:			
Current Tax	26	4441.97	5849.24
Deferred Tax	26	(411.21)	130.60
IX Profit for the year (VII-VIII)		15136.05	12464.32
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
— Remeasurements of the defined benefit plans	27(vi)(a)	(125.09)	9.26
— Equity instruments through other comprehensive income		(1238.94)	370.11
— Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(1.29)	(21.05)
(ii) Income tax relating to items that will not be reclassified to profit or loss	26	9.62	3.69
B (i) Items that will be reclassified to profit or loss:			
— Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(36.24)	0.85
(ii) Income tax relating to items that will be reclassified to profit or loss	26	10.13	(0.30)
X Other Comprehensive Income [A(i-ii)+B(i-ii)]		(1381.81)	362.56
XI Total Comprehensive Income for the year (IX+X)		13754.24	12826.88
XII Earnings per equity share (Face Value ₹ 1.00 each):	27(ii)		
(1) Basic (in ₹)		12.33	10.19
(2) Diluted (in ₹)		12.31	10.13

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For S R B C & CO LLP
Chartered Accountants
Firm Registration Number: 324982E/E300003
Sudhir Soni
Partner
Mumbai, June 26, 2020

On behalf of the Board

S. PURI
R. TANDON
R. K. SINGHI

Chairman & Managing Director
Director & Chief Financial Officer
Company Secretary
Kolkata, June 26, 2020

APPENDIX II

ARTICLE FULL PAPER

A STUDY ON THE FINANCIAL PERFORMANCE WITH REFERENCE TO ITC LIMITED – STRATEGIC BUSINESS UNIT PACKAGING & PRINTING.

LAKSHMANAN L, Student, School of Business Administration,
Sathyabama Institute of Science and Technology, Chennai

Dr. Velumoni D, Assistant Professor, School of Business Administration,
Sathyabama Institute of Science and Technology, Chennai

ABSTRACT

The project titled “A study on the financial performance With reference to ITC – Strategic Business Unit Packaging & Printing” deals with the movement of money in and out of a business, project, or financial product. Nowadays, the cash is a main motive for each and every business. The monetary benefit is considered as a primary one and the non monetary benefit is considered as a secondary one in each and every business firm. But, the requirement of cash may differ from one firm to another firm.

The tools used for the data analysis are traditional ratio analysis and Trend analysis. The study shows that over a period of five years from 2016 - 2020. Effective cash management has declined in the recent years. A firm should aim at maximizing the wealth of its shareholders. In its endeavor to do so, a firm should earn sufficient return from its operation. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current asset for generating sales.

The objectives are to analyze the financial position and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency / inefficiency of Cash.

It was noticed in the study that the company had utilized its Cash efficiently and can also try to get more effective values by working on it. The cash required to

meet out the current liabilities is maintained at a normal level that shows the company follows an average policy.

I. INTRODUCTION

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial efficiency is a measure of the organizations ability to translate to its financial resources into mission related activities. Financial efficiency is desirable in all organization of individual mission. It measures the intensity with which a business uses its assets to generate gross revenue and the effectiveness of producing, purchasing, pricing, financing, and marketing decisions. At the micro level financial efficiency refers to the efficiency with which resources are correctly allocated among competing uses at a point of time. Financial efficiency is a measure of how well an organization has managed certain trade of (risk and return, liquidity and profitability) in the use of its financial efficiency.

Financial efficiency is regarded as a measure of total efficiency and a management guide to greater efficiency and the extent of the profitability, liquidity, productivity and capital strength can be taken as a final proof of a financial efficiency. Financial efficiency directed towards evaluating the liquidity, stability, and profitability of a concern which put together of a concern.

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial analyst program provides vital methodologies of financial analysis.

Financial analysis involves the use of financial statements. A financial statement is a collection of data that is organized according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm.

II. OBJECTIVES OF THE STUDY

- To study the solvency position of the company using ratio analysis.
- To find the trend analysis for the future prediction of the company.

III. REVIEW OF LITERATURE

Venkata Ramana and Ramakrishna (2014) Evaluate the profitability and financial position of selected cement companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of liquidity ratios on profitability performance of selected cement companies.

Sahu (2012) In his article titled “A Simplified Model for Liquidity Analysis of Paper Industry” has examined the liquidity of paper industry. The model developed by him has been based on the assumption that the liquidity management of a company in a particular year is effective if its earnings before depreciation are positive and not effective if its earnings before depreciation are negative. The findings have revealed a very high predictive ability of the estimated discriminate function.

Adolphus (2012) Showed that there was a statistically significant relationship between measure of liquidity and selected measures of profitability, efficiency and indebtedness in Nigerian quoted manufacturing companies. The impact of one per cent increase in average liquidity measures produces a more significant increase in average profitability (21.9 per cent), efficiency (16.1 per cent) and indebtedness (16.6 per cent).

Singaravel (2005) He focuses on the interdependency among working capital, liquidity and profitability, of which sufficiency of liquidity comes in the first preference followed by sufficiency of working capital and profitability. The article is an in-depth analysis of liquidity and its interrelationship with working capital and profitability. As the working capital, liquidity and profitability are in triangular position, none is dispensable at the satisfaction of the other. Excess of stock-in-trade over bank over-draft and excess of liquid assets over current liabilities other than bank over-draft generate working capital for the business. Alternatively

working capital requirements are made for long-term funds which affect the profitability.

Chalam, Manohar Babu (1999) Observe that liquidity performance is very low as compared to the ideal norms. It is suggested that for managing working capital effectively the operating and other required budgets should be prepared by the respective levels of the management on short-term as well as long-term basis. It is further suggested that these are the people concerned who can really influence the process of production activity to such an extent that there should be optimum utilization of the investment in working capital.

IV. RESEARCH METHODOLOGY

Methodology is usually a guideline system for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. It can be defined also as follows

1. The analysis of the principles of methods rules and postulates employed by a discipline.
2. The systematic study of methods that are, can be, or have been applied within a discipline.
3. The study or description of methods.

A methodology can be considered to include multiple methods, each as applied to various facets of the whole scope of the methodology. The research can be divided between two parts; they are qualitative research and quantitative research.

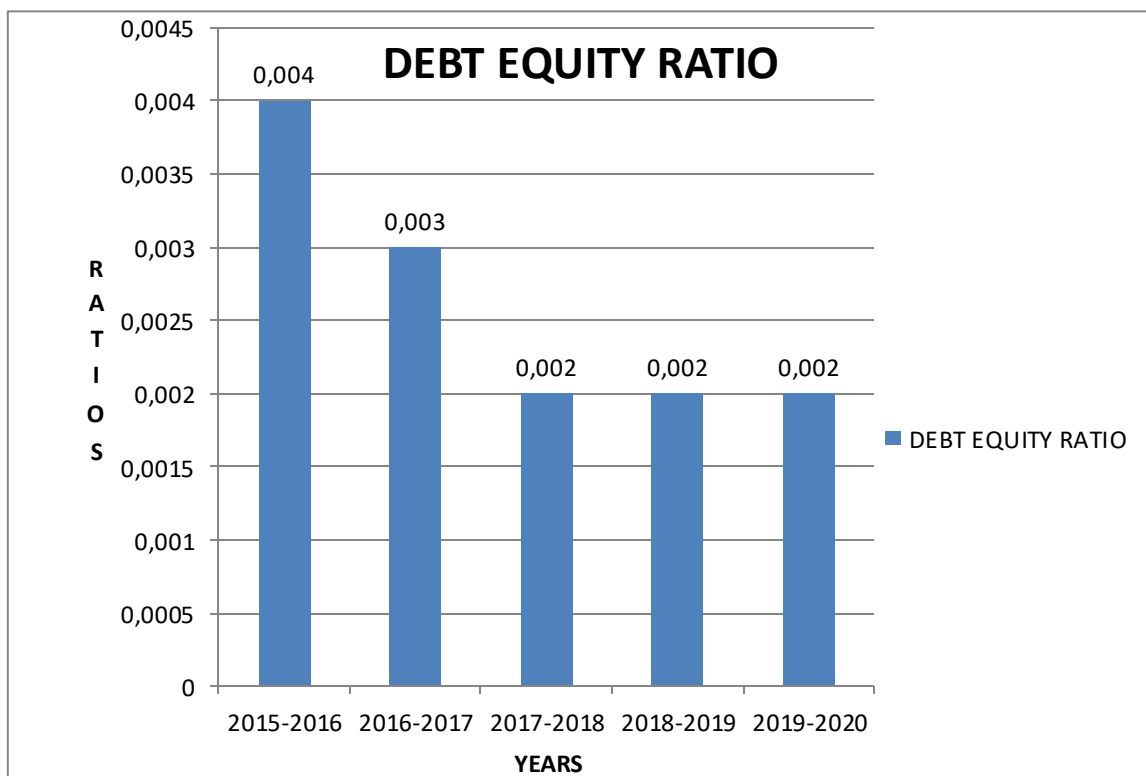
V. Research design

The descriptive research designs have been adopted for the study. A research design is the plan of a research study. The design of a study defines the study type and sub-type, research problem, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to find answers to research questions.

SOLVENCY RATIOS

DEBT EQUITY RATIO

YEAR	LONG TERM DEBT	EQUITY	DEBT EQUITY RATIO
2015-2016	138.02	32929.00	0.004
2016-2017	149.36	45340.96	0.003
2017-2018	133.04	51400.07	0.002
2018-2019	140.53	57949.79	0.002
2019-2020	149.42	64029.16	0.002

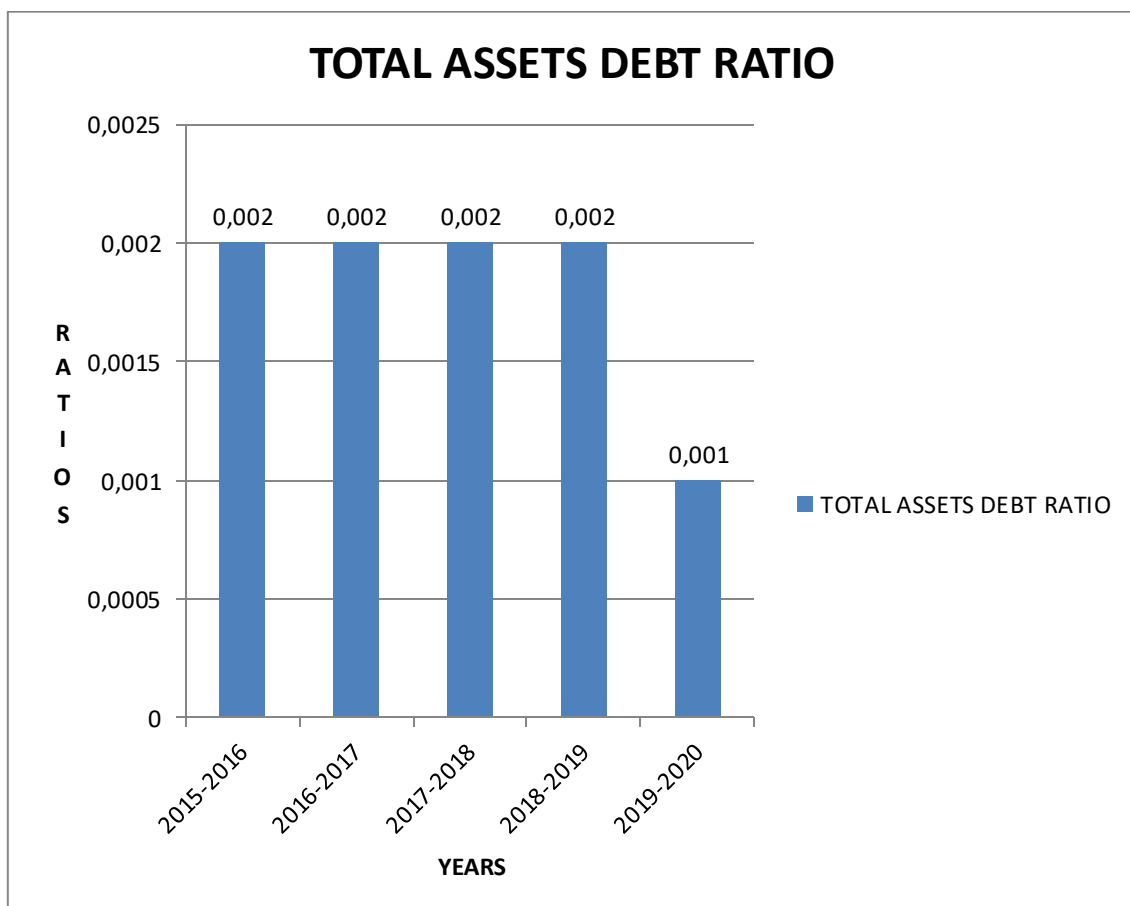


INFERENCES

The good debt equity ratio of a company is around 1 to 1.5. But, the debt equity ratio of this company is lower or closer to 0, this often means the business has not relied on borrowing to financial operations. Hence, the investors are unlikely to invest in the shares of the company with the very low ratio because the company has not realizing the potential profit.

TOTAL ASSETS TO DEBT RATIO

YEAR	TOTAL DEBTS	TOTAL ASSETS	TOTAL ASSETS DEBT RATIO
2015-2016	138.02	49518.43	0.002
2016-2017	149.36	54215.95	0.002
2017-2018	133.04	62381.31	0.002
2018-2019	140.53	69797.92	0.002
2019-2020	149.42	75235.36	0.001

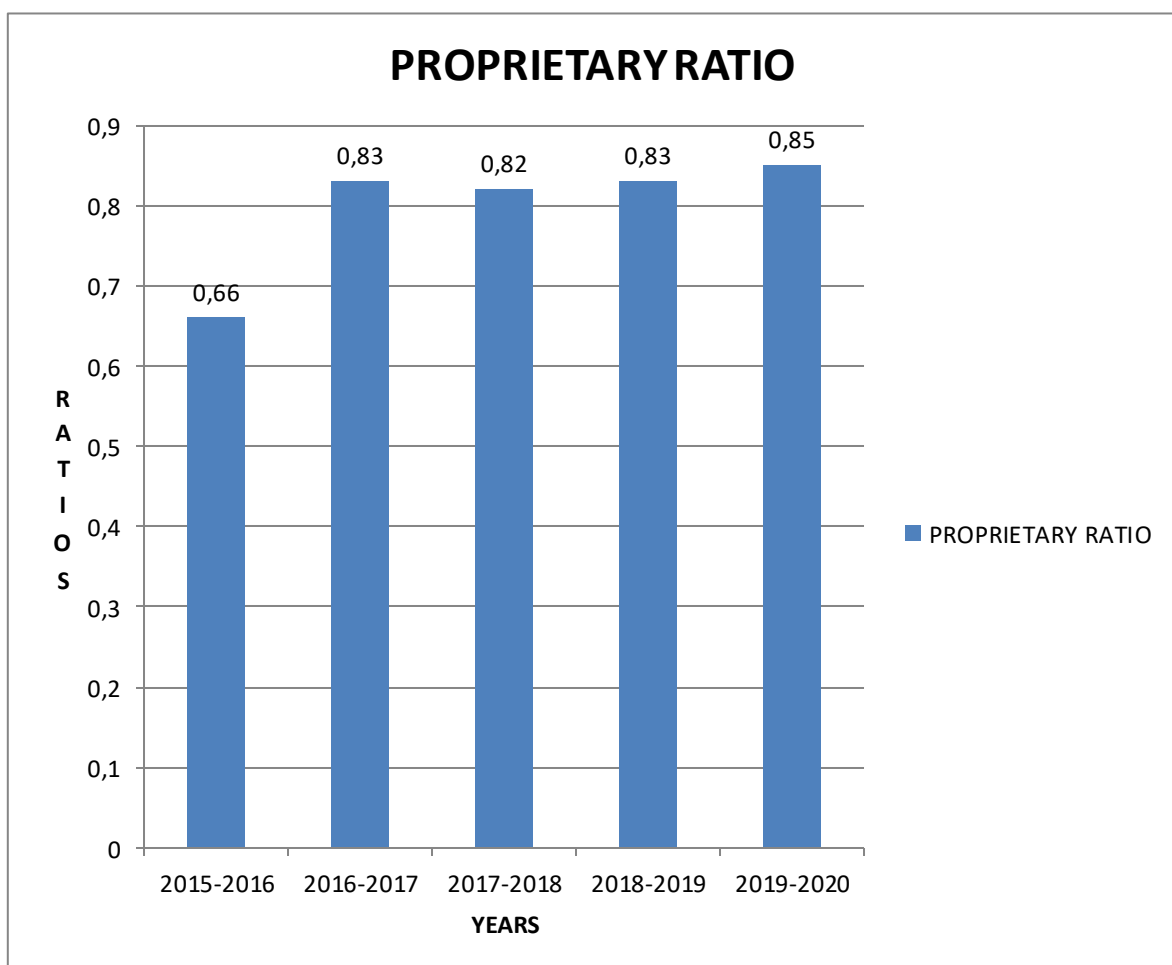


INFERENCES

The ideal total assets debt ratio should be below 1 which is considered as good. This company shows the lower ratio for the total assets debt ratio for all the years. This ratio translates to the fact that a greater portion of a company's assets is funded by equity.

PROPRIETARY RATIO

YEAR	SHAREHOLDER'S FUNDS	TOTAL ASSETS	PROPRIETARY RATIO
2015-2016	32929.00	49518.43	0.66
2016-2017	45340.96	54215.95	0.83
2017-2018	51400.07	62381.31	0.82
2018-2019	57949.79	69797.92	0.83
2019-2020	64029.16	75235.36	0.85

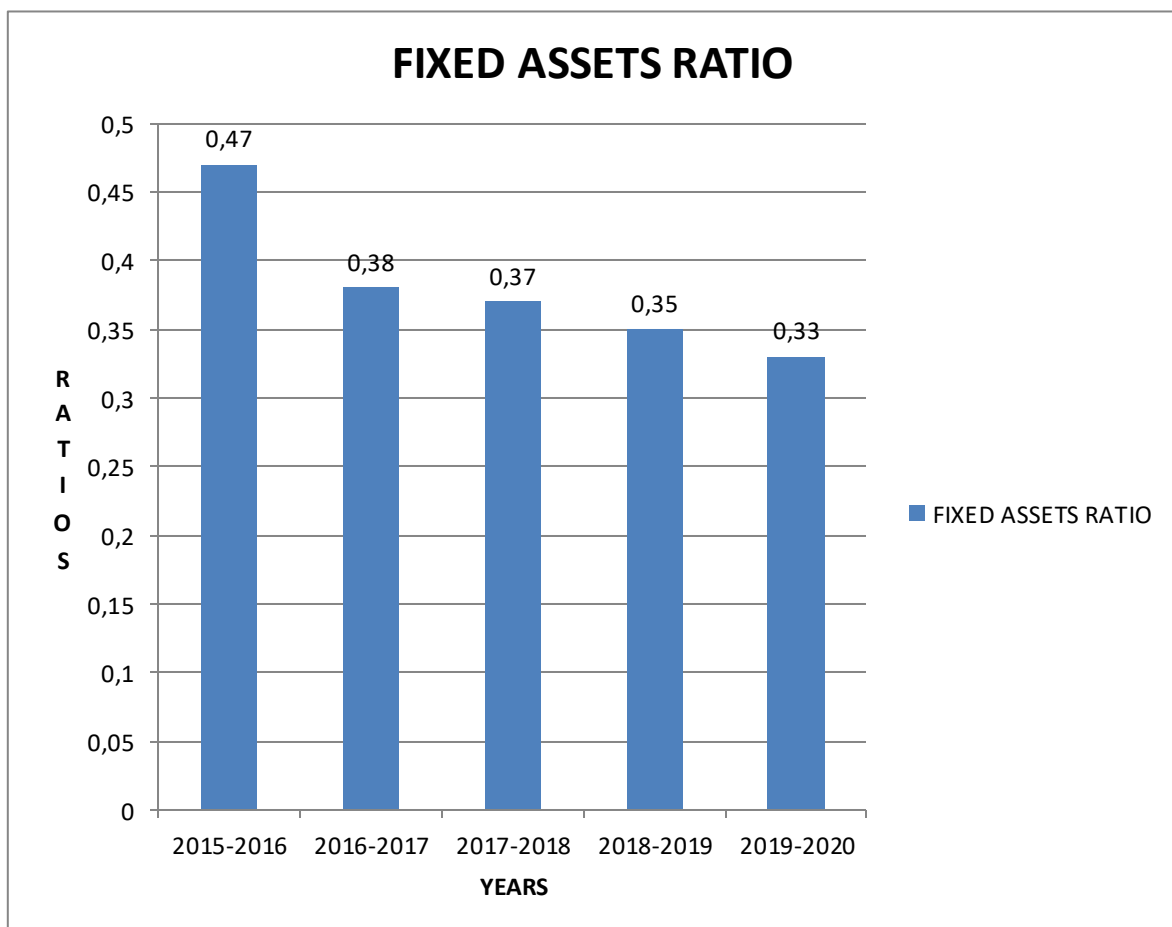


INFERENCES

The ideal proprietary ratio of a company should be 0.5 : 1. Higher the ratio betters the long term solvency position of the company. Here, in this company it indicates the extent to which the asset of the company can be lost without affecting the interest of the creditors of the company.

FIXED ASSETS RATIO

YEAR	NET FIXED ASSETS	LONG TERM FUND	FIXED ASSETS RATIO
2015-2016	15670.91	32929.00	0.47
2016-2017	17379.22	45340.96	0.38
2017-2018	19446.2	51400.07	0.37
2018-2019	20576.06	57949.79	0.35
2019-2020	21734.48	64029.16	0.33

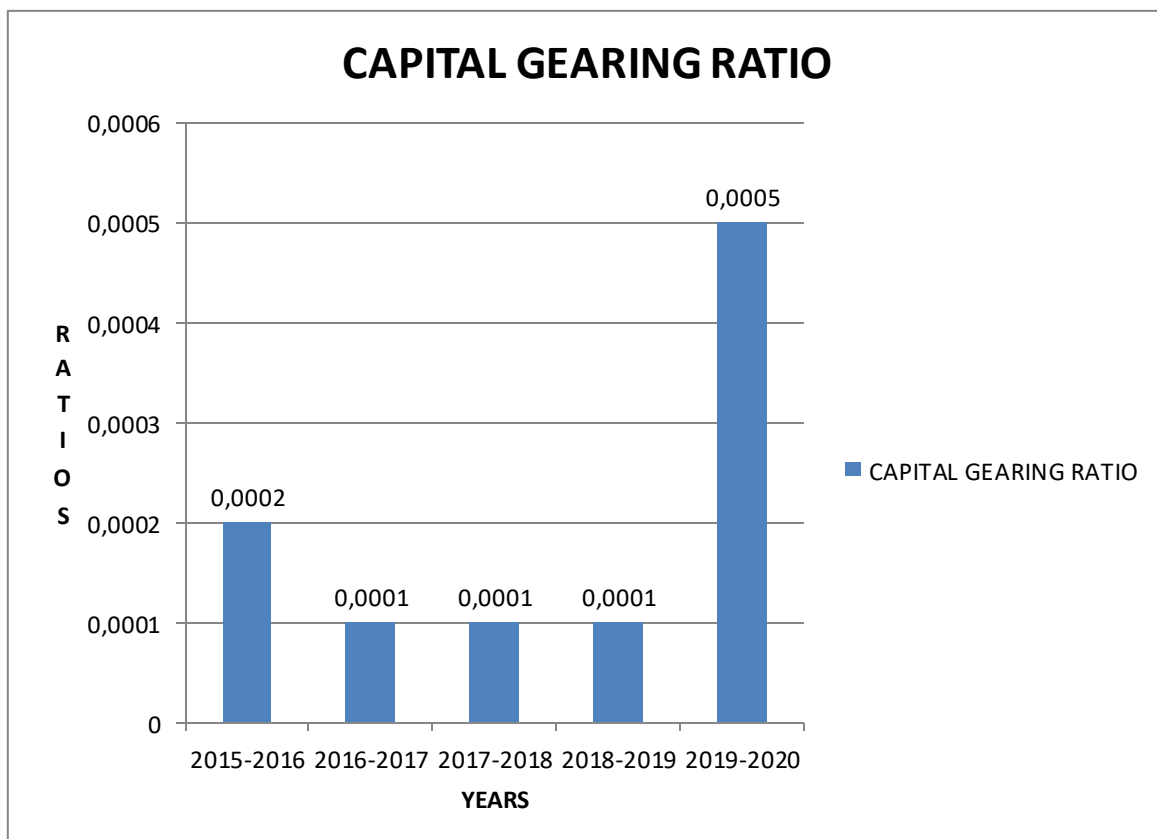


INFERENCES

The ideal fixed assets ratio of a company should always be less than 1, that indicates long term funds of the company are more than its net fixed assets it is desirable to some extent as it means that this company has sufficient long term fund to cover its fixed assets.

CAPITAL GEARING RATIO

YEAR	LONG TERM LOAN + DEBENTURE + PREF.CAPITAL	EQUITY SHAREHOLDERS FUNDS	CAPITAL GEARING RATIO
2015-2016	8.12	32929.00	0.0002
2016-2017	5.84	45340.96	0.0001
2017-2018	7.40	51400.07	0.0001
2018-2019	6.21	57949.79	0.0001
2019-2020	3.31	64029.16	0.0005

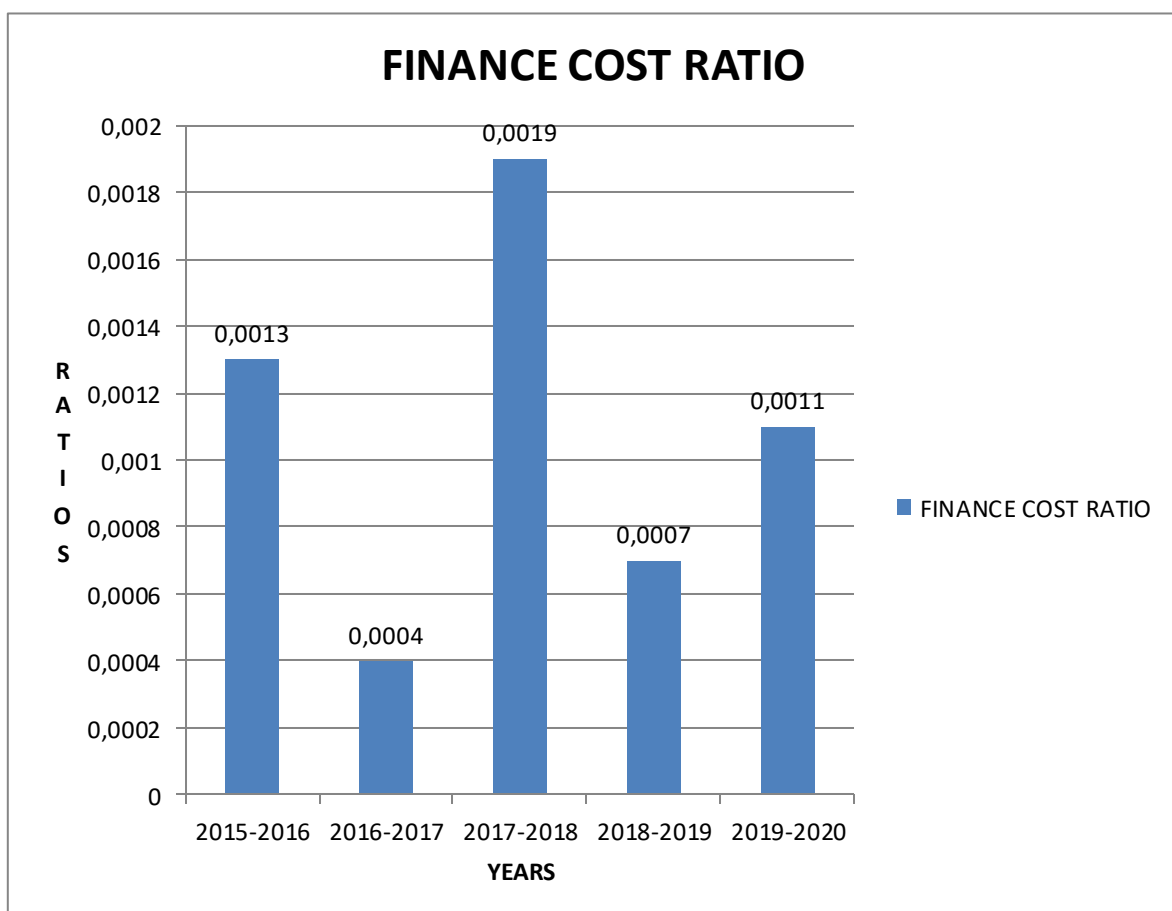


INFERENCES

An optimal gearing ratio is primarily determined by the individual company relative to other companies within the same industry. The good capital gearing ratio lower than 25 %, in this company it maintains the capital gearing in minimum percentage so, it is considered low risk by both investors and lenders.

FINANCE COST RATIO

YEAR	FINANCE COST	NET SALES	FINANCE COST RATIO
2015-2016	49.13	36837.39	0.0013
2016-2017	22.95	55448.46	0.0004
2017-2018	86.65	44329.77	0.0019
2018-2019	34.19	45784.39	0.0007
2019-2020	55.72	46807.34	0.0011



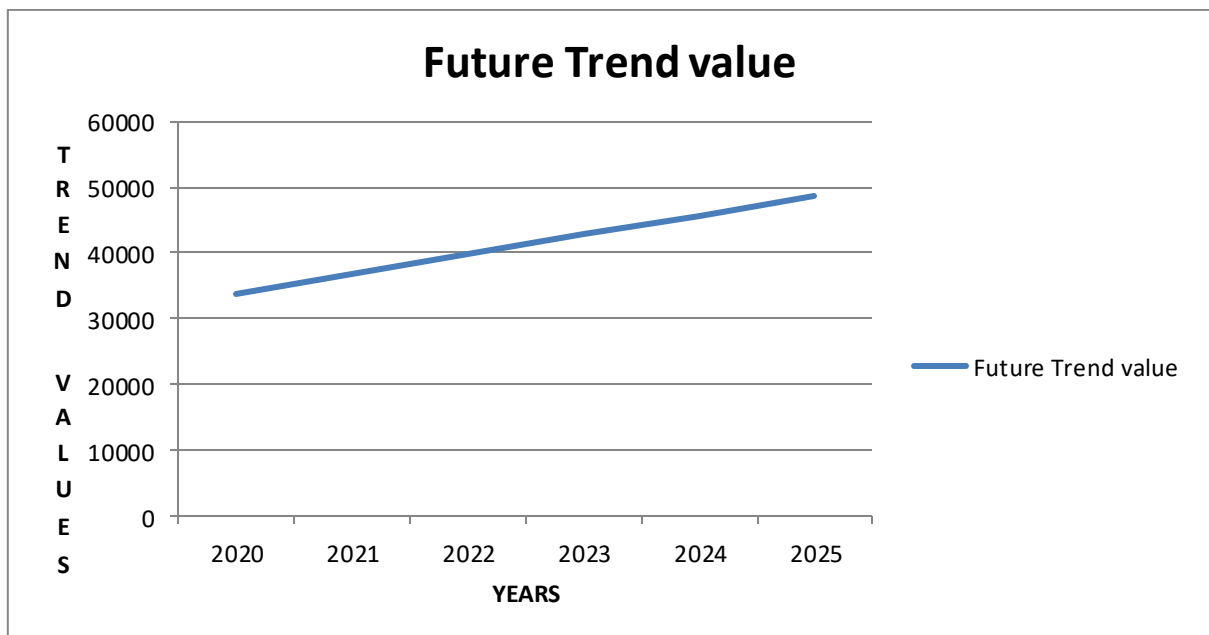
INFERENCES

The good ideal finance cost ratio of the company should be less than 1.5. This company gradually shows the good ideal ratio in all the years. The finance cost is also known as financing cost and borrowing cost. This company interest and other costs that an entity incurs in connection with the borrowing of funds.

TREND ANALYSIS

**The Projected Trend value of Current Assets for the forthcoming years
(2020-2025)**

Year	Future Trend value (Trend value +B)
2020	33805.382 (Base Year)
2021	36782.973
2022	39760.564
2023	42738.155
2024	45715.746
2025	48693.337

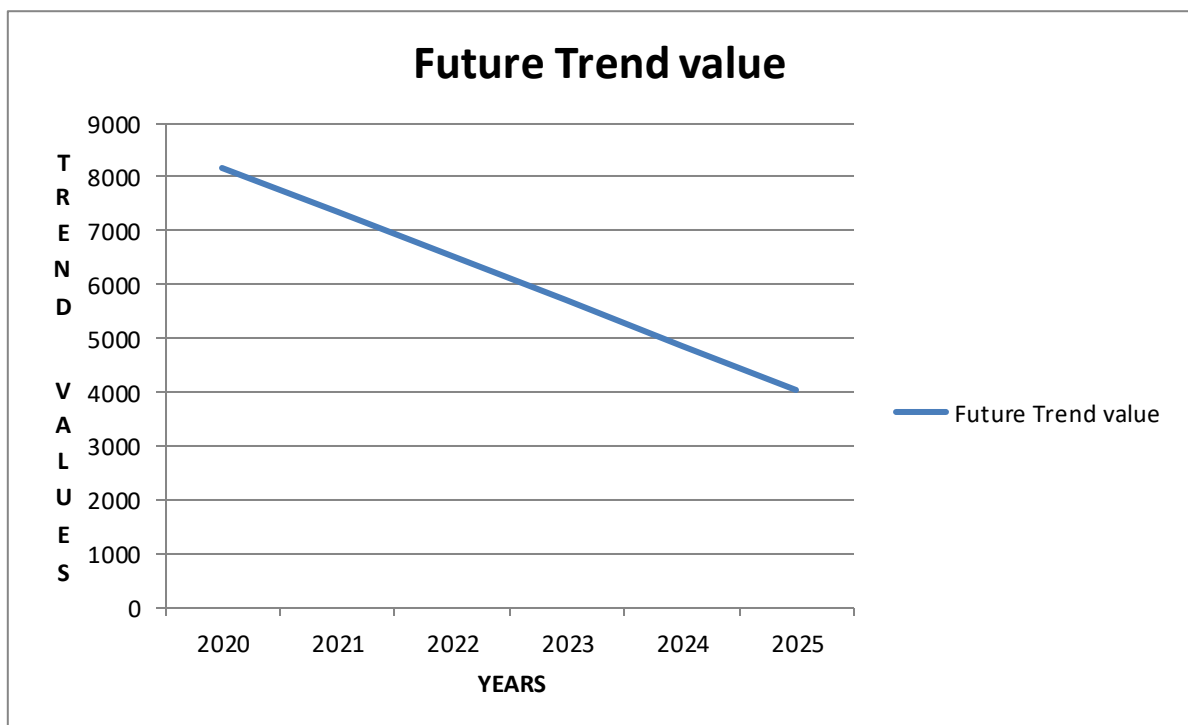


Interpretation

The trend analysis for the above years shows a very good amount increase. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current assets value. There was a phenomenal increase in growth in term of assets during the year 2020 and this is one of the major reasons that the projections are showing a good increase. In reality if we assume that the same increase in trend continues compared to 2020, the ratio for the above five years will be still higher.

The Projected Trend value of Current Liabilities for the forthcoming years (2020-2025)

Year	Future Trend value (Trend value +B)
2020	8156.018 (Base Year)
2021	7335.477
2022	6514.936
2023	5694.395
2024	4873.854
2025	4053.313



Interpretation

The trend analysis for the above years shows a marginal decrease. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current liabilities value. There was a phenomenal increase in growth in term of liabilities during 2020 and this is one of the major reasons that the projections are showing a marginal decrease. In reality if we assume that the same decrease in trend continues compared to 2020, the ratio for the above five years will be still higher. This shows the efficiency of the enterprise.

VI. SUGGESTION

- Solvency ratio makes the firm vulnerable to business cycles and its solvency become suspect & it has greater risk and lower safety to the owners.
- The company follows the most conservative policy providing greatest liquidity to the firm, but also the lowest return to total assets. Investments in various assets potentially high and less, Because of new projects.
- Steps can be taken to increase the net profit so as to increase the overall financial performance.
- The company should find opt and wealth investment options to attain wealthy position in the market.
- Debt to equity ratio assesses the long-term financial position and soundness of long-term financial policies of the enterprise.
- It is observed there is a fluctuating trend during the study period, hence the management should take remedial measures to improve the present position.

VII. CONCLUSION

The company's overall position is at a good position. Particularly the current year's position is well due to a raise in the profit than the previous year. It's better for the organization to diversify the funds to different sectors in the present market scenario. The assets were increased but the working capital is decreased which says that the firm is not able to meet its current liabilities. The financial health plays a significant role in the successful functioning of a firm. The analysis and interpretation of financial statement is essential to bring out the mystery behind the figures in the financial statement. Financial analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings ability to pay interest and debt maturities and profitability of sound dividend policies. The estimated discriminate function could be of great use for the management in ascertaining the financial health. This study would also useful to the company's policy makers and researchers for appraising financial health.