

## A Study on Financial Performance of ITC Private Limited

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**ABSTRACT:** *This study examines the financial performance of ITC Private Limited over five years (2020-2024). It is based on the most important metrics of financial performance: profitability, liquidity, solvency and efficiency. Using secondary data collected from the company's annual reports and annual financial statements, the study uses ratio analysis to help demonstrate the financial performance and operational efficiency of ITC Private Limited. The results show strong liquidity in fixed assets, reduced debt and stable investment. It is also worth noting that competitive analysis in the same industry demonstrates consistent financial performance. In addition to fluctuations in the market share and sales share of the industry, ITC should try to improve the overall performance of the above sectors due to the relationship between sales and profitability. This study provides a valuable perspective on the financial situation of ITC. This includes options to improve profitability and investments seeking diversification in new markets.*

### INTRODUCTION

Nowadays, finance plays a vital role in all corporate activities. It is taken for granted that finance is the lifeblood of any business. It is very necessary to control all activities and commercial efficiency. The goal of financial management is to create a business plan and ensure that each department is operating efficiently. Financial statement analysis refers to drawing extra insights from financial statements by using a variety of analytical methods, including vertical, horizontal, and ratio analyses. These methods are applied on the three main financial statements: the balance sheet, income statement, and cash flow statement, and these provide a view about the financial condition of an organization, profitability, and liquidity, respectively. Analysis of these elements and their connections to and within themselves can thus give a clearer picture of a firm's financial condition. The analysis of financial statements may also consider data from other financial reports, such as the statement of equity, in addition to the notes to the financial statements and the management discussion and analysis (MD&A). Internal and external stakeholders analyze financial statements to develop business strategy, enhance operations, assess creditworthiness, and gauge investment risk and opportunity.

### REVIEW OF LITERATURE

**Dr. R. Malini and Dr. A. Meharaj Banu (2019)<sup>1</sup>,** *“Financial performance analysis of Indian Tobacco Corporation limited”*. The objective of this study is to know financial position of the Indian Tobacco Corporate Limited. It concludes that the financial performance of Indian Tobacco Corporation Limited for a period of five years from 2013 to 2017, the study strongly reveals that the financial performance is better. However, it needs to minimize the operating expenses to get high net profit.

**Jain, P., & Singh, S. (2018)<sup>2</sup>,** *“A Study of Financial Performance Analysis of ITC Limited”*. The study by Jain and Singh (2018) examined the financial performance of ITC Limited over a period of five years using financial ratios. The study found that the company's revenue had increased, while its profitability had decreased. The study also suggested that the company should reduce its dependence on the cigarette segment and diversify its business portfolio to mitigate regulatory risks.

## OBJECTIVES OF THE STUDY

- To study the Analysis of financial performance for past 5 years with reference to ITC limited.
- To study the profitability, liquidity, solvency and turnover position of the company using ratio analysis.

## RESEARCH METHODOLOGY

### Research Design:

The descriptive research designs have been adopted for the study. A research design is the plan of a research study.

### 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.

### Period of Study:

The study covers from December 2024 to February 2025 for 3 months in ITC LIMITED.

### Tools Used:

- Ratio analysis.

## 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.

## DATA ANALYSIS AND INTERPRETATION

**Table-1: Current Ratio**

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2023-24	41,065.54	13,690.40	3.00
2022-23	39,670.89	13,739.41	2.89
2021-22	34,232.45	12,163.71	2.81
2020-21	34,991.99	10,689.68	3.27
2019-20	39,505.35	9,559.77	4.13
Average			<b>3.22</b>

Source: Computed from the Financial Statements of ITC Pvt. Ltd.,

**Interpretation:** The current relationship is a measure of the company's ability to pay its obligations within the next 12 months. The table 1 shows the current ratio for the period 2019-20 to 2023-24. The ideal ratio is 2:1. The company is maintaining an average of 3.22. The current ratio is consistently above 2, indicating strong liquidity.

**Table-2: Debt-Equity Ratio**

YEARS	TOTAL DEBT	SHAREHOLDER'S EQUITY	DEBT-EQUITY RATIO
2023-24	11.28	74,507.00	0.00015
2022-23	38.81	69,155.26	0.00056
2021-22	5.59	62,455.57	0.00009
2020-21	9.46	60,347.34	0.00016
2019-20	7.32	65,273.26	0.00011
Average			<b>0.000214</b>

Source: Computed from the Financial Statements of ITC Pvt. Ltd.,

**Interpretation:** Debt to equity is one of the foremost utilized debt solvency proportions. The table 2 shows the debt-equity ratio for the period 2019-20 to 2023-24. The average debt-equity ratio for the company is 0.000214. the ratio has remained consistently below 0.001, suggesting the company is not reliant on debt financing. This makes the company financially very stable, with minimal obligations to creditors.

**Table-3: Fixed assets to Net worth Ratio**

YEAR	FIXED ASSETS	SHAREHOLDER'S EQUITY	FIXED ASSETS TO NET WORTH RATIO
2023-24	29,901.27	74,507.00	0.4
2022-23	28,074.84	69,155.26	0.41
2021-22	26,677.40	62,455.57	0.43
2020-21	26,530.04	60,347.34	0.44
2019-20	24,767.27	65,273.26	0.38
Average			<b>0.412</b>

Source: Computed from the Financial Statements of ITC Pvt. Ltd.,

**Interpretation:** The proportion appears how much of the owner's cash (net worth) is tied up within the shape of settled resources such as property, plants and hardware. The table 3 represents the fixed assets to net worth ratio for the period 2019-20 to 2023-24. The average fixed assets to net worth of the company are 0.412. The ratio has been relatively stable between 38% and 44%, indicating a balanced approach to fixed asset investment.

**Table-4: Fixed Assets to Total Long-Term Funds**

YEAR	FIXED ASSETS	TOTAL LONG-TERM FUNDS	FIXED ASSET TO LONGTERM FUND RATIO
2023-24	29,901.27	74,508.76	0.4
2022-23	28,074.84	69,158.75	0.41
2021-22	26,677.40	62,460.42	0.43
2020-21	26,530.04	60,352.92	0.44
2019-20	24,767.27	65,279.16	0.38
Average			<b>0.412</b>

Source: Computed from the Financial Statements of ITC Pvt. Ltd.,

**Interpretation:** The table 4 shows the extent to which the total of fixed assets is financed by long term funds for the period 2019-20 to 2023-24. The average fixed assets to long term funds ratio are 0.412 remained stable between 38% and 44%, meaning that a moderate portion of long-term funds is invested in fixed assets. It indicates that the company is not over investing in fixed assets and has financial flexibility.

**Table-5: Net Profit Ratio**

YEAR	NET PROFIT	REVENUE FROM OPERATIONS	NET PROFIT RATIO
2023-24	20,458.78	70,315.49	29.10%
2022-23	19,191.66	70,245.22	27.32%
2021-22	15,242.66	60,081.36	25.37%
2020-21	13,161.19	48,952.81	26.89%
2019-20	15,306.23	48,979.08	31.25%
Average			<b>27.99%</b>

Source: Computed from the Financial Statements of ITC Pvt. Ltd.,

**Interpretation:** Net profit ratio is a significant profitability ratio that shows the relationship between net sales and net income after tax. The table 5 represents the net profit of the firm for the period 2019-20 to 2023-24. The average net profit is 27.99%. This implies strong cost control and revenue management.

## FINDINGS

1. The ideal ratio is 2:1. The company is maintaining an average of 3.22. The current ratio is consistently above 2, indicating strong liquidity.
2. Debt-equity ratio for the company is 0.000214. The ratio has remained consistently below 0.001, suggesting the company is not reliant on debt financing. This makes the company financially very stable, with minimal obligations to creditors.
3. The average fixed assets to net worth of the company are 0.412. The ratio has been relatively stable between 38% and 44%, indicating a balanced approach to fixed asset investment.

4. The average fixed assets to long term funds ratio are 0.412 remained stable between 38% and 44%, meaning that a moderate portion of long-term funds is invested in fixed assets. It indicates that the company is not over investing in fixed assets and has financial flexibility.
5. The average net profit is 27.99%. This implies strong cost control and revenue management.

## SUGGESTIONS

- To improve investment efficiency ITC should assess whether the shifts in increase and decrease of the investments is optimizing liquidity or reducing short term returns.
- Inventories rose significantly from Rs. 11914.17 Cr (Mar 23) to Rs.14302.88 Cr (Mar 24), which may indicate potential overstocking or inefficiencies in supply chain management. ITC should evaluate turnover ratios and optimize inventory levels.
- ITC should continue diversifying revenue sources, especially in the FMCG segment, where margins are typically lower than its core tobacco business.
- Expanding international markets and premium product categories could enhance profitability.

## 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.

## REFERENCES

### Publication Referred

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2. **Dr. Sivaprakash J S and Kaushika S**, "Delicious Financial Statements: Research on Imperial Tobacco Company ITC." International Research Journal of Modernization in Engineering Technology and Science. Volume-05, Issue: 05. e-ISSN: 2582-5208 May 2023.

### Books

1. **N.P. Srinivasan and M. Sakthivel Murugan** (2006), Accounting for Management, New Delhi, S Chand Limited.
2. **T.S. Reddy & Dr. Y. Hariprasad Reddy**, Management Accounting, Margham Publications (2014)

### Websites

1. [www.itcportal.com](http://www.itcportal.com)
2. [www.investopedia.com](http://www.investopedia.com)