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A study on working capital management of a conglomerate: with reference to ITC LMT

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Abstract

This study digs into the complex dynamics of working capital management inside conglomerates, with a special focus on ITC Limited. As conglomerates like ITC operate in a complex environment, successfully managing working capital becomes critical to their financial health and sustainability. However, conglomerates' distinct qualities, such as diverse industry exposure, worldwide expansion, and the incorporation of sustainability practises, need a thorough evaluation of their working capital strategy.

By empirically analysing the complexities of working capital management inside conglomerates, this study fills a large research vacuum in the existing literature. It explores the following major areas using a combination of quantitative and qualitative analyses. Working Capital in a Diversified Portfolio: The research looks at how ITC Limited, a conglomerate with holdings in FMCG, hospitality, agriculture, and tobacco, manages its working capital in the face of sectoral heterogeneity. It investigates whether sector-specific factors have a major impact on working capital decisions. Geographic Diversification: The study investigates the impact of geographic diversification on the working capital management of ITC Limited, taking into account both domestic and international businesses. Financial Instrument Utilization: The study investigates the strategic use of financial instruments such as short-term debt, commercial paper, and derivatives in optimizing the conglomerate's working capital needs. Sustainability Integration: This study looks into the incorporation of sustainability and ESG concepts into ITC Limited's working capital management methods, emphasizing the alignment between profitability and environmental and social responsibility.

In conclusion, this research paper not only enriches the understanding of working capital management in the context of conglomerates but also provides insights

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that can be extended to diversified corporations across various industries and regions. The findings contribute to the development of nuanced working capital management frameworks that align with the diverse and evolving needs of conglomerates, further illuminating the path to financial success and sustainability in an intricate and ever-changing business landscape.

Keywords

Working capital management, Conglomerates, Diversified portfolios, Sectoral Heterogeneity, Geographic Diversification, Sustainability Integration, ESG (Environmental, Social, and Governance), Nuanced Working Capital Management Frameworks.

INTRODUCTION

What is working capital management?

Working capital management is a business strategy designed to ensure that a company operates efficiently by monitoring and using its current assets and liabilities to their most effective use. Working capital seeks to make better use of the company's resources by tracking and optimizing the usage of current assets and liabilities. The goal is to maintain profitability while maintaining sufficient cash flow to satisfy its short-term operating costs and debt obligations. Working capital management is critical to the cash conversion cycle (CCC), or the time it takes a company to transform its working capital into usable cash. Working capital management entails keeping track of a company's assets and liabilities in order to maintain enough cash flow to cover its short-term operating costs and debt commitments. Working capital management entails in keeping track of several ratios, such as the working capital ratio, collection ratio, and the inventory ratio. Working capital management can help a company's cash flow management and earnings quality by using its resources better.

Working capital management is one of the most important aspects of day-to-day business management. Working capital management is a fictitious field that covers all the firm's current accounts. Working capital management is concerned with the link between a company's short-term assets and short-term liabilities. The purpose of working capital management is to ensure company's operations can continue and that it has enough cash to cover both maturing short-term debt and anticipated operating needs. In general, from the perspective of the chief financial officer (CFO), working capital management Is a straightforward idea of assuring the organization's ability to finance the difference between current assets and current liabilities "Harris 2005".

However, a comprehensive approach should be, to cover all actions of the

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company relating to vendor, customer, and product (Hall 2002). Understanding the role and cause of working capital can help businesses to reduce risk and improve overall performance. The primary goal of working capital management is to maintain an ideal balance between each component of working capital management.

Business success heavily on the ability of financial executives to effectively manage receivables inventory and payables (5002).

Firms can reduce their financial costs and increase the amount of investment left up in short-term assets. Most of the financial manager's time and effort are allocated to optimizing the level of current assets and liabilities back toward optimal levels (Lamberson 1995).

Renting plants and machinery may allow a company to lower its total assets investments, but the same approach cannot be applied to working capital management components. The high amount of current assets increases the risk of liquidity, as does the opportunity cost of cash that could have been invested in long-term assets. Although the impact of working capital rules on profitability is significant, little empirical study has been conducted to investigate this link.

Thus, efficient management of working capital is an important prerequisite for the successful operation of business concern because it reduces the chance of business failure and generates a sense of security and confidence among the employees, and ensures the organization's solvency and stability.

OBJECTIVE OF THE STUDY

Working capital is an important measure for organizations to monitor since it indicates the amount of capital available to make payments, cover unexpected costs, and ensure business operations continue as usual. However, working capital management is not so easy, and a working capital management program may have numerous aims, including:

- Meeting obligations: Working capital management should always guarantee that the company has enough liquidity to satisfy its short-term obligations, which can be accomplished by collecting payments from consumers sooner or extending supplier payment terms. Unexpected costs might also be considered obligations; thus they must be integrated into the working capital management strategy.

- Growing the business: With that said, it's equally critical to make good use

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of your short-term assets, whether that means supporting worldwide expansion or investing in R&D. If your company's assets are encumbered by inventory or accounts payable, it may not be as profitable as it may be. In other words, an overly cautious approach to working capital management is ineffective.

- Optimizing capital performance: Another goal of working capital management is to maximize the efficiency of capital utilization, whether by lowering capital expenses or increasing capital returns. The former can be accomplished by reclaiming capital that is now locked up in order to reduce the requirement for borrowing, whilst the latter includes ensuring that the ROI of excess capital exceeds the average cost of financing it.

Working capital management entails keeping track of a company's assets and liabilities in order to maintain enough cash flow to cover its short-term operating costs and debt commitments. Working capital management entails keeping track of several ratios, such as the working capital ratio, the collection ratio, and the inventory ratio. Working capital management can help a company's cash flow management and earnings quality by making better use of its resources.

One of the two primary goals of working capital management is to maintain liquidity. A company with insufficient working capital will be unable to make its obligations as they come due, resulting in late payments to employees, suppliers, and other credit providers. Late payments can cost you staff loyalty, supplier discounts, and a bad credit rating. Nonpayment (default) can result in the liquidation of assets to reimburse creditors.
Profitability is another important goal. Working capital funds typically earn little or no return. As a result, a company with a high level of working capital may fail to meet its investors' expectations for return on capital employed (Operating profit (Total equity and long-term liabilities)).

Therefore, when determining the appropriate level of working capital there is a trade-off between liquidity and profitability:

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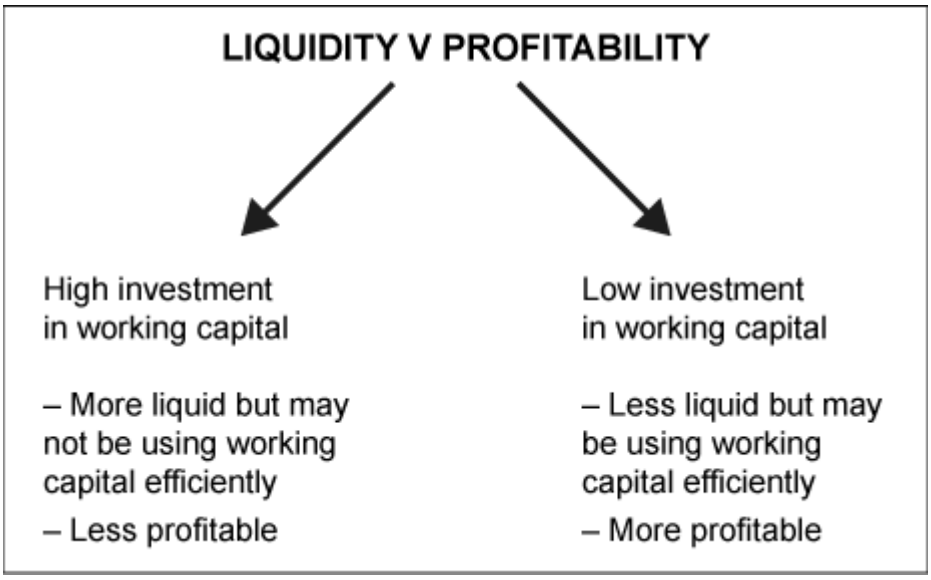

The trade-off is likely most clear when it comes to cash hoarding. Although cash provides obvious liquidity, it generates minimal income, even when held in cash equivalents such as treasury notes. This is especially true in an era of low-interest rates (for example, the annualized yield on three-month US dollar treasury bills was roughly 0.4% in November 2016).

Even if an appropriate amount of working capital exists, it may be out of reach due to variables outside management's control, such as an unreliable supply chain influencing inventory levels. Businesses must, however, avoid the extremes.

- Overtrading: insufficient working capital to meet the amount of business activities. This is also known as undercapitalization, and it is distinguished by a high and rising percentage of short-term finance to long-term credit.

- Over capitalization: an excessive level of working capital, which leads to inefficiencies.

NEED AND IMPORTANCE OF THE STUDY

The project is useful in understanding the company's fund maintenance situation and establishing requirements for working capital inventory levels, quick ratio current amount turnover level, and web-torn turnover level. This project is beneficial to management in terms of expanding duality, project viability, and

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current funding availability. This project is particularly valuable since it compares current year data to prior year data and so shows the trend analysis, i.e. increasing or falling funds. The project will be useful in Management's decision to expand further.

IMPORTANCE OF WORKING CAPITAL MANAGEMENT

Working capital is defined as the net current assets accessible for day-to-day operations. It is defined as current assets less current liabilities, and the components in exam questions are typically inventory and trade receivables, trade payables, and bank overdrafts. Many seemingly prosperous enterprises are forced to suspend operations due to an inability to satisfy short-term obligations as they become due. Working capital management is critical to corporate survival.

Working capital management is critical to good business management because: • Current assets form the bulk of certain organizations' total assets.

- Cash generation is more directly tied to shareholder wealth than accounting earnings.
- A key cause of corporate failure is a failure to regulate working capital and thereby manage liquidity.

REVIEW OF LITERATURE

With industrialization, the importance of finance has grown, and working capital management has arisen as a critical component of financial management. The research is incomplete unless the prior references are considered and researched. earlier studies aid in structuring the framework of the current study and taking into account areas that were left out in earlier studies, as well as identifying difficulties, the size, scope, and evolution of the current study structure. In this Chapter, an attempt is made to offer an overview of previous researchers' studies in a very precise manner. The research is divided into four sections: general working capital, inventory, receivables, and cash and bank. An attempt is also made to arrange the same in chronological sequence within each category in order to comprehend the evolution

Laura Aseru Orobia, Kesseven Padachi and John C. Munene (2016) According to the findings, the most frequently conducted procedures are those related to cash and inventory security, as well as credit risk assessment. Payment management routines are the least used. Second, the high take-up rate of working capital management routines in small-scale enterprises is explained by business size, perceived usefulness, and attitude. Business age, level of education, and financial management training have no bearing on the likelihood of engaging in working capital management on a regular basis.

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Pushpesh Pant, Pradeep Rathore, Krishna Kumar Dadsena and Bhaskar Shandilya (2023) The findings defy the conventional wisdom about working capital investment, revealing that increased working capital has a positive and significant influence on firm performance. Furthermore, it emphasizes that Indian manufacturing enterprises suffered financially following COVID-19 because they lacked operating cash to run day-to-day operations.

Sastry V.L.N.(1988) author concluded Working capital is expressed in particular number of month turnover and indicates revenue nature on the debit side and various sorts of income and sales on the credit side in the study of Management of Working Capital. If working capital management is efficient, cost savings are attainable.

ChowdhuriC.D.(1985) In the research of Managing Working Capital, it is discovered that the optimal current ratio of 2:1 is not followed in the industry dealing with long gestation items, but rather 3:1. Trading firms with high turnover do not encounter cash problems.

BanarjeeB.(1974) "The Management of Working Capital Derivation" According to a case study, the current ratio alone is insufficient to determine financing activities and must be contrasted with sales. Each component of working capital, namely stock, debtors, cash, and creditors, can have its working capital production ratio determined.

Ali İhsan Akgun and Ayyuce Memis Karatas (2020) they concluded that During the 2008 financial crisis, the authors investigated the aforementioned relationship. According to the OLS regression study, there is a negative link between gross working capital and business performance in nations with code law. The findings also reveal that liquidity measures estimated by the current ratio have a statistically significant impact on business success as measured by the ROA in all EU nations. The financial crisis of 2008 had a substantial negative influence on ROA. Furthermore, data on financial inclusion demonstrate a negative association between gross working capital and firm success in the EU and other performing nations.

H. Kent Baker, Satish Kumar, Sisira Colombage and Harsh Partap Singh (2017) According to the findings, the majority (54.5 percent) of sample enterprises finance their activities in a moderate manner, which entails a trade-off between liquidity and profitability. Respondents prefer a casual approach to WCM and regard receivables management as the most important component of WCM. Respondents mostly examine the cash conversion cycle and net working capital when it comes to WCM monitoring and financial indicators. For proper

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inventory management, Indian businesses typically employ centralised cash management and rely significantly on material requirement planning (MRP) and enterprise resource planning (ERP).

Salla Marttonen, Sari Monto and Timo Kärri (2013) The study propose an analytical flexible asset management (FAM) model that demonstrates a substantial negative association between operational working capital cycle lengths and return on investment. Because of its low fixed assets and high profitability, the industrial maintenance service sector emphasises the need of working capital management.

Bose SK (1971) "Management of working capital" studied two cable manufacturing companies that addressed the notion of working capital and discovered that working capital requirements are determined by factors such as the amount of investment in fixed assets, the volume of predicted sales, the rate of turnover of current assets, and the credit terms of purchases.

VenugopalanB. (1973) examined Two Hypothetical Companies in his research of Working Capital Management and Control. For two years, 1970 and 1971, describe the significance of working capital management. According to him, the working capital requirements can be determined using three methods: the traditional method, the engineering methodology, and the operational analysis.

Das P.K. (1993) National Jute Manufacturers Corporation Ltd. (NJMC) Govt. U/T conducted a study on Working Capital Management in Public Sector Undertakings in India - a Case Study from 1981-82 to 1990-91. The idea was to pay special attention to reducing the amount of money locked up in current assets.

DasSiddharthG.(1994) Found working Capital Turnover in Pharmaceutical Companies was examined for 15 Large Public Limited Companies from 1981 to 1990. They discovered that several organizations were performing exceptionally well in terms of effective use of working capital funds, better turnover, and greater efficiency.

Punam Prasad, Narayanasamy Sivasankaran, Samit Paul and Manoharan Kannadhasan (2019) This study introduces a new direct measure of working capital efficiency that is multiplicative in nature. WACC, the ratio of the total of trade receivables and inventory to trade payables, and the ratio of net working capital (NWC) to net sales comprise WCEM.

Shaista Wasiuzzaman (2015) According to the study, increases in working capital efficiency through lower working capital investment result in increased firm value. However, this relationship is modified by a firm's finance restrictions.

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Working capital efficiency greatly boosts company value for financially constrained enterprises, but it is found to be inconsequential for unconstrained firms.

Verma H.L. and Garg M.C. (1995) carried out the study of 'Emerging Guidelines for Working Capital,' discussed the case study of the Iron and Steel Industry, to evaluate and analyze management performance in terms of working capital, and its various components, and comparing it to the public and private sectors.

Joshi Vijay Prakash(1995) concluded, Working Capital Management Under Inflation on some capital-intensive industries such as cement, chemical, and engineering, to assess the efficient management of each component of working capital.

Yadav R.A. In the study of "Working Capital Management a Parametric Approach" examined 39 sick and 39 non- sick manufacturing companies. Financial and statistical tools are used and a Discriminant Model is developed i.e.

Y= V1+V2+V3+V4
Where: V1 = Cash flow from operations/ Total Tangible Assets V2 = Current Assets/ Current Liabilities
V3 = Net Sales/ Total Tangible Assets
V4 = Defensive Assets/ Total Operating Expenditure
According to him three variables are to be given weightage in appraising the effectiveness of working capital management. They are (i) Cash flow to total tangible assets, (ii) Net sales to total tangible assets: and (iii) Defensive assets to total operating expenditures. According to him above variables are to be incorporated with traditional ratio of current assets to current liabilities

Mallick Amit and Sur Debasis (1998) conclude, in the years 1986-87 to 1995-96, AFT Industries Ltd., a tea manufacturing company, conducted the study titled Working Capital and Profitability: - a Case Study in Interrelation. They used basic, multiple correlations, and multiple regression analyses to investigate the impact of working capital on profitability.

Industry Profile

A conglomerate is a multi-industry company. It is a combination of multiple business entities operating in entirely different industries under one corporate group, usually involving parent company and many subsidiaries. Conglomerates are often large and multinational.

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The conglomerate craze of the 1960s During the 1960s, the United States was caught up in a "conglomerate fad," which turned out to be a type of speculative mania. Due to a combination of low interest rates and a repeating bear-bill-market, conglomerates were able to buy smaller companies in leveraged buyouts (sometimes at temporarily deflated values). Famous examples from the 1960s include Ling-Temco-V, ITT Corporation, Litton Industries, Textron, and Teledyne. In 1968, the peak year of the conglomerate fad, U.S. corporations completed a record number of mergers: approximately 4,500. In that year, at least 26 of the country's 500 largest corporations were acquired, of which 12 had assets over $250 million.

If the external capital market is insufficiently developed, a conglomerate establishes its own. The internal market allows different components of the company to distribute cash more efficiently. A conglomerate can increase earnings by purchasing companies whose stock is more discounted than its own. Infact, GE, and Berkshire Hathaway have delivered high earnings growth for a time.

The era of License Raj (1947-1990) in India created some of Asia's largest conglomerates, such as the Tata Group, Kirloskar Group, Larsen & Toubro, Mahindra Group, Sahara India, ITC Limited, Essar Group, Reliance ADA Group, Reliance Industries, Aditya Birla Group and the Bharti Enterprises

Company Profile

Formerly	Imperial Tobacco Company of India Limited (1910–1970) India Tobacco Company Limited (1970–1974) I.T.C. Limited (1974–2001) ITC Limited (2001–present)
Company type	Public
Traded as	• BSE: 500875 • NSE: ITC • BSE SENSEX constituent • NSE NIFTY 50 constituent
ISIN	INE154A01025
Industry	Conglomerate[1]
Predecessor	W.D. & H.O. Wills
Founded	24 August 1910; 113 years ago[2]
Headquarters	Virginia House, Kolkata, West Bengal , India
Area served	• Indian subcontinent • Gulf countries
Key people	Sanjiv Puri (Chairman & MD)[3]
Products	• Consumer goods • Apparel • Education • Hotels and Resorts • Paperboards & Specialty papers • Packaging • Agribusiness • Information technology • Cigarettes

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Brands	• Gold Flake • Wills Navy Cut • Classic • Aashirvaad • Fiama Di Wills • Savlon • Classmate • Dark Fantasy
Revenue	▲ ₹78,498.70 crore (US$9.8 billion) (2023)
Operating income	▲ ₹25,793.21 crore (US$3.2 billion) (2023)
Net income	▲ ₹19,427.68 crore (US$2.4 billion) (2023)
Total assets	▲ ₹85,882.98 crore (US$11 billion) (2023)
Total equity	▲ ₹69,538.79 crore (US$8.7 billion) (2023)
Number of employees	▲~49,824 (2023)
Divisions	ITC Hotels ITC Paperboards and Specialty Papers Division ITC Infotech Sunrise Foods
Website	www.itcportal.com

RESEARCH GAP

Despite an expanding corpus of literature on working capital management, there remains a significant study gap in the context of conglomerates, as illustrated by the case of ITC Limited. While several research on working capital management in various industries and sectors have been conducted, the unique characteristics and complexity associated with conglomerates such as ITC Limited remain largely unknown. This study gap is especially noteworthy because conglomerates frequently operate across many industries, and their working capital management tactics may differ from those of single-industry corporations.

The research gap can be articulated as follows:

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- Limited Empirical Studies: the existing literature primarily focuses on single-industry enterprises. Few empirical studies look specifically at the working capital management strategies of conglomerates like ITC Limited, which operate in many industries at the same time.

- Sectoral Heterogeneity: Conglomerates such as ITC Limited are distinguished by a diverse portfolio of companies in industries such as FMCG, hotel, agriculture, and tobacco. The study gap is in understanding how these different industry dynamics influence the conglomerate's working capital management decisions and whether sector-specific factors play a significant role.

- Geographic Diversification's Impact: ITC Limited is diverse not only across the industry but also geographically. It operates both in India and abroad. Further research is needed to determine how regional diversification affects the working capital management practices of such companies.

- Financial Instrument Interplay: The study gap extends to an examination of how conglomerates like ITC Limited use multiple financial instruments to manage their working capital needs, such as short-term debt, commercial paper, and derivatives. Understanding how these instruments interact to optimize working capital is a largely unknown topic.

- Impact of Sustainable Practices: There has been an increasing emphasis on sustainability and ESG (Environmental, Social, and Governance) concerns in company operations in recent years. Investigating if and how conglomerates like ITC Limited incorporate sustainability issues into their working capital management strategies is a promising but underutilized research field.

- Performance Implications: While existing literature has examined the relationship between working capital management and firm performance, there is a need for research that specifically assesses the impact of working capital management on the financial performance and overall sustainability of conglomerates such as ITC Limited.

RESEARCH METHODOLOGY

This form of analysis assists the company's management in planning future policies based on the external environment. To attain the desired outcomes, each

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sound research must have a proper design. This study is built on the basis of descriptive design.
The methodology I used for my research is a collection of tools that analyse the organization's financial status critically:

1. COMMON-SIZE P/L A/C
2. COMMON-SIZE BALANCE SHEET
3. COMPARTIVE P/L A/C
4. COMPARTIVE BALANCE SHEET
5. RATIO ANALYSIS

The factors listed above are utilised to perform a critical analysis of the financial status. The financial status is attempted to be presented in a well-organized and methodical manner by evaluating each component. Through critical analysis using various tools, it becomes clear how the financial manager handles finance matters in a profitable manner in the critical challenging environment, and recommendations are made to assist the organisation in formulating a healthy and strong financial position with proper management system.

I sincerely hope, through the evaluation of various percentage, ratios and comparative analysis, the organization would be able to conquer it’s in efficiencies and makes the desired changes.

ANALYSIS OF FINANCIAL STATEMENTS

FINANCIAL STATEMENTS:

A financial statement is a collection of data organised logically and consistently to express an understanding of the financial characteristics of a commercial enterprise. It may depict a situation at a specific point in time, as in the case of a balance sheet, or it may indicate a series of actions over a specific time period, as in the case of an income statement. As a result, the word 'financial statements' refers to the two statements.
(1) The Balance Sheet or Position Statement.
(2) The Income Statement, often known as the Profit and Loss Account

OBJECTIVES OF FINANCIAL STATEMENTS:

The following objectives of financial statements are stated by the accounting Principal Board of America (APB): 1. To give trustworthy financial information regarding a company firm's economic resources and obligations.
2. To supply any further information about charges in such economic resources and obligations that may be required.

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3. To offer trustworthy information regarding changes in net resources (resources minus commitments) that are not accounted for in company activities.
4. To give financial information that assets in measuring the business's learning potential.

LIMITATIONS OF FINANCIAL STATEMENTS:

Though financial statements are significant and useful for a company, they do not give a whole picture of the company. The usefulness of these remarks is determined by a number of things. These comments must be carefully analysed and interpreted, or else false conclusions may be drawn.

The following constraints apply to financial statements: -

1. Financial statements do not provide a complete picture of the company. The information provided in these assertions is simply approximate. Only when the business is sold or liquidated can the true value be ascertained.

2. Throughout the course of a company, financial statements have been prepared for several accounting periods, usually one year. The costs and incomes are allocated to different time periods in order to calculate profits and so on. The accountant's personal judgement is used to allocate expenses and income. Because of the presence of contingent assets and liabilities, the statements are imprecise, making financial statements interim reports rather than the complete picture of the organisation.

3. Because the financial accounts are expressed in monetary terms, they appear to provide a final and true picture. The balance sheet value of fixed assets does not indicate the value for which fixed assets can be sold or the money required to replace these assets. The balance sheet is constructed with the assumption that the business will continue to exist. Because the company is expected to continue in the future, fixed assets are recorded at cost less cumulative depreciation. Furthermore, there are assets in the balance sheet that will not generate any revenue when liquidated, but they are listed on the balance sheets.

4. The financial statements are prepared using historical or original costs. The value of assets depreciates over time because current price fluctuations are ignored. The statements are not created with the economic conditions in mind. The Balance Sheet loses its value as an indicator of present economic conditions. Similarly, the profitability displayed in the income statements may represent the company's earning capacity.

5. Certain factors have an impact on the company's financial status and

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operating results, but they are not included in these statements because they cannot be assessed in monetary terms. The main constraint of traditional financial statements, which include the balance sheet and profit and loss account, is that they do not provide all of the information about the firm's financial operations. Nonetheless, they provide some extremely useful information to the extent that the balance sheet mirrors the financial position on a specific data in terms of the structure of assets, liabilities, and so on, and the profit and loss A/c shows the result of operation during a specific period in terms of revenue obtained and costs incurred during the year, thus the financial position.

FINANCIAL STATEMENT ANALYSIS

It is the process of identifying the financial strength and weakness of a firm from the available accounting data and financial statements

CALCULATIONS OF RATIOS

Ratios are mathematical relationships represented between figures that are connected in some way.

CLASSIFICATION OF RATIOS.

Ratios can be grouped in to numerous groups depending upon the basis of classification The traditional classification has been based on the financial statement from which the ratios are determined.

These are:-

1. Profit & Loss account ratios
2. Balance Sheet ratios
3. Composite ratios

RESEARCH DESIGN

The analysis is based on secondary data acquired from the company's annual report. The study is both descriptive and analytical in character, as efforts are made to define the many aspects of working capital management at ITC Ltd.The analysis is based on secondary data acquired from the company's annual report. The study is both descriptive and analytical in character, as efforts are made to define the many aspects of working capital management at ITC Ltd.

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PERIOD OF STUDY

The study is confined to a period of five years from 2016-2017 to 2020-2021.

DATA COLLECTION

The secondary data is collected from the published annual documents and the website of ITC Ltd.

ANALYSIS APPLICATIONS

1. The ratio analysis

2. Statement of cash flows

3. Trend evaluation

Simple statistical approaches such as % were used to properly analyse data. It aided in creating more accurate generalizations from the existing data.

SOURCES OF INFORMATION

Secondary data were gathered to achieve the goal. The information is derived from the yearly reports of the Haridwar International Tobacco Company. The data was collected in accordance with the standards of the RATIO ANALYSIS research. It is done via secondary data.

TOOLS OF ANALYSIS

It is vital to apply a systematic research methodology for the assessment of a project because, without the usage of a research methodology analysis, any firm or organization will not be possible.
In the present analysis mostly, secondary data have been used. It is worth a white to mention that I have used the following types of published data:
Balance sheet Profit & Loss A/c Schedules

Ratio Analysis

The numerical or quantitative relationship between two variables or things is referred to as a ratio. A ratio is formed by dividing one component in a relationship by the other. An accounting ratio is an arithmetic expression of the connection between two figures in the financial accounts. The statistics can originate from the income statement, the balance sheet, or both. A ratio denotes a coefficient that counts the number of times the numerator is greater than the denominator.
Ratio analysis is an important and age-old financial analysis technique. Financial statement data in absolute form is dumb and incapable of communicating

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anything. Ratios are a relative form of financial data that may be used to assess a company's efficiency. Some ratios indicate the trend or progress or downfall of the firm.

Liquidity Ratio

The short-term financial position of a firm is measured by analysing the liquidity position. The term liquidity means the ability to produce cash. A firm is said to be liquid when it is capable of meeting its short-term obligations in time. It depends on its ability to convert current assets into cash and maintain regular cash flows. The important liquidity ratios are current ratio and quick ratio.

Current Ratio

Current proportion is the most common proportion for measuring liquidity. The current ratio is the proportion of add up to current resources to add up to current liabilities. Being related to working capital examination, it is too called the working capital proportion. Current proportion measures the ampleness or insufficiency of working capital. A tall current proportion means more sum of working capital to the firm. A standard of 2:1 is considered as perfect Current Proportion. It implies that current resources ought to be at slightest twice of its current liabilities.

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

CURRENT ASSETS

1. Cash in hand
2. Cash at bank
3. Short term securities
4. Bills receivable
5. Sundry Debtors
6. Inventories

CURRENT LIABILITIES

1. Sundry Creditors
2. Bank Overdraft
3. Bills payable

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4. Outstanding Expenses
5. Short term advances
6. Dividend payable

Liquid Ratio or Quick Ratio

The term liquidity alludes to the capacity of a firm to pay its brief- term commitments as and when they ended up due. Cash in hand and cash at bank are the most liquid resource. The other resources included in the fluid resources are bills receivable, sundry indebted individuals, attractive and brief term or brief speculations. The fluid ratio can be calculated by separating the add up to of the fluid resources by add up to current liabilities. And the perfect fluid proportion is 1:1.

$$\text{Liquid Ratio} = \frac{\text{Quick Assets}}{\text{Current liabilities}}$$

Liquid assets = Current assets – (stock + prepaid expenses)

Absolute Liquid Ratio

It is a further rigorous test of liquidity. Debtors and bills receivable are also excluded from liquid assets in the numerator. Thus, Absolute liquid assets include cash in hand, cash at bank and marketable securities. Bank overdraft is excluded from current liabilities or liquid liability is taken as the denominator. The standard norm of absolute liquid ratio is 0.5:1.

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

Profitability Ratio

Benefit proportion measures the capacity of the firm to win an satisfactory return on sales, add up to resources and contributed capital. There are two sorts of productivity ratios. To begin with productivity based on deals, and it incorporates net benefit proportion, operating proportion, working benefit proportion and net benefit proportion. Moment, productivity ratio based on venture, and it incorporates return on venture proportion, return on shareholders support proportion, return on value proportion and return on add up to resource.

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Operating Profit Ratio

Net Benefit Proportion is the proportion of net benefit to Net deals. It demonstrates the net margin accessible to the company on each rupee of deal from which all roundabout expenses are recouped taking off a sensible sum as net margin

$$\text{Operating profit ratio} = \frac{\text{Operating Profit or EBIT} * 100}{\text{Net Sales}}$$

Operating profit

Operating benefit proportion clarifies the relationship between the working benefit and net deals. It measures the operational effectiveness of the firm.

$$\text{Operating Ratio} = \frac{\text{Operating Cost} * 100}{\text{Net Sales}}$$

Net Profit Ratio

Net benefit is the leftover benefit after considering non- working costs and Incomes. This proportion is utilized to degree the by and large benefit and thus it is very valuable to proprietors. It is a genuine pointer of working productivity. It is calculated by relating Net benefit after assess to net deals.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after tax} * 100}{\text{Net Sales}}$$

Return on Investment Ratio

Return on speculation proportion is the relationship between working net benefit and capital utilized. Return on speculation measures the in general productivity. It is also known as bookkeeping rate of return or return on capital employed.

$$\text{Return on Investment Ratio} = \frac{\text{Operating Profit} * 100}{\text{Capital Employed}}$$

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Return on Total Assets

Return on Add up to resources is moreover called Return on speculation or Return on Net capital utilized. Return on add up to resource proportion measures the gaining when compared with add up to resources of the firm. It clearly appears the position of the firm. A tall proportion infers superior generally execution of the commerce or productive use of add up to resources.

$$\text{Return on Total Assets} = \frac{\text{Net Profit after Tax} * 100}{\text{Total Assets}}$$

Return on shareholder's fund

Return on shareholder's support implies the remunerate for shareholders for taking the risk of contributing in the business.

$$\text{Return on Shareholders Fund} = \frac{\text{Net Profit after Tax} * 100}{\text{Shareholder's Fund}}$$

Activity Ratios or Tests of Turnover of Activities

This category of proportions incorporates those proportions, which highlight upon the movement and operational productivity of the trade concern. Movement or turnover ratios indicate the proficiency of administration in the utilize of assets, both brief- term and long- term. The in general execution of a company is assessed on the premise of its capacity to make deals utilizing least assets. Turn over proportions reflect the speed at which resources are utilized in affecting deals. A higher turnover ratio means proficient utilize of reserves by administration in creating more sales.

Inventory Turnover Ratio

The term stock is a broader term at that point 'stock'. For the most part stock implies stock of wrapped up products. While stock incorporates all sorts of stocks, i.e., stock of raw materials, work in advance, wrapped up products, consumable stores, etc. The Balance sheet of a fabricating company contains all these things of stock while that of a exchanging company contains as it were stock of wrapped up goods. Inventory Turnover Proportion shows the velocity of turnover or the speed at which stock is changed over into deals. A higher turnover proportion, say,5 to 8 times indicates superior proficiency in affecting deals. Stock turnover proportion is the relationship of fetched of merchandise sold to normal stock.

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Inventory Turnover Ratio = Cost of Goods Sold

Average Inventory

Cost of goods sold = Net Sales - Gross Profit

Average Inventory = Opening Inventory + Closing Inventory

2

Working Capital Turnover Ratio

This proportion is a degree of the effectiveness of the work of the working capital. Working Capital Turnover Proportion that measures how productively a company is utilizing its working capital to bolster deals and development. Too known as net deals to working capital, working capital turnover measures the relationship between the reserves utilized to fund a company's operations and the revenues a company creates to proceed operations and turn a profit.

Working Capital Turnover Ratio = Net Sales

Net Working Capital

Net Working Capital = Current Assets – Current Liabilities

Cash Flow Statement

A cash stream articulation moreover known as articulation of cash streams, is a monetary statement that appears how changes in adjust sheet accounts and pay influence cash and cash counterparts, and breaks the investigation down to working, contributing and financing exercises. Basically, the cash stream articulation is concerned with the stream of cash in and out of the trade. The articulation captures both the current working comes about and the going with changes in the adjust sheets. As an expository apparatus, the explanation of cash streams is valuable is valuable in determining the short-term reasonability of a company, especially its capacity to pay bills

Trend Analysis

Trend examination is an successful administration apparatus for considering the changes in working capital of a commerce undertaking between the starting and finishing of the money related dates. It involves examining common propensities in each thing of the financial articulations on the premise of information from the base year.

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There are two approaches to do a trend analysis.

- Trend percentages
- Graphic method

Financial data that has been revaluated in terms of a base year is referred to as a trend percentage. The base year will be 100 percent, and the subsequent years will be percentages that add up to the base year.

$$\text{Trend percentage} = \frac{\text{Current year } F_S \text{ figure} * 100}{\text{Base year } F_S \text{ figure}}$$

ANALYSIS & INTERPRETATION OFDATA

STATEMENT OF PROFIT & LOSS OF ITC LIMITED

Particulars	**Mar 23**	**Mar 22**	**Mar-21**	**Mar-20**	**Mar-19**	**Mar-18**	**Mar-17**
Revenue from operations	69480.89	59101.09	48151.26	46323.72	45221.41	43956.90	55001.69
Sales	66043.27	56341.27	45485.11	45619.70	44995.65	40627.54	40088.68
Less excise duty	(4208.01)	(3404.29)	(3039.43)	(1187.64)	(788.74)	(3702.23)	(15359.78)
Other income	2437.61	2589.97	3250.99	3013.66	2484.54	2542.74	1985.91
Total Income	**68480.88**	**58931.24**	**48709.10**	**48501.25**	**47480.19**	**43170.28**	**42074.59**
Expenses							
(a)Cost of material consumed	19809.83	16064.50	13605.07	13121.76	13184.97	11756.21	11765.56
(b)Purchase of stock in trade	9109.85	10734.48	6869.40	4289.71	4300.32	2991.98	3566.57
(c)Change in inventory of finished goods, stock in trade and work in progress	(39.50)	(566.46)	(526.86)	(176.34)	(180.14)	1041.85	644.17
(d)Employee benefit expenses	3569.46	3061.99	2820.95	2658.21	2728.44	2487.46	2444.31
(e)Finance cost	41.81	41.95	47.47	55.72	34.19	86.65	22.95

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(f)Depreciation and amortization expenses	1662.73	1652.15	1561.83	1563.27	1311.70	1145.37	1038.04
(g)Other expenses	9649.16	8113.10	7167.09	7822.11	7656.55	6809.06	7090.03
Total Expenses	**43803.34**	**39101.79**	**31544.95**	**29334.44**	**29036.03**	**26318.58**	**26571.63**
Profit and loss before tax	24677.54	19829.53	17164.15	19166.81	18444.16	16851.70	15502.96
Tax expenses	(5997.10)	(4771.70)	(4132.51)	(4030.76)	(5979.84)	(5628.45)	(5302.06)
Profit and loss for the period	**18753.31**	**15057.83**	**13031.64**	**15136.05**	**12464.32**	**11223.25**	**10200.90**

BALANCE SHEET OF ITC IMITED

Particulars	**Mar 23**	**Mar 22**	**Mar 21**	**Mar 20**	**Mar 19**	**Mar 18**	**Mar 17**
A. Equity and Liabilities							
1. Shareholders Fund							
Equity share capital	1,242.80	1232.33	1230.88	1229.22	1225.86	1220.43	1214.74
Reserves and surplus	65,609.55	60167.24	57773.74	60777.76	54725.99	50179.64	44126.22
Total Shareholders Fund	**67,593.80**	**61399.57**	**59004.58**	**64029.16**	**57949.79**	**51400.07**	**45340.96**
2. Non Current Liabilities							
Long term borrowings	3.28	4.54	5.28	5.63	7.89	11.13	17.99
Deferred tax liabilities	1,621.13	1667.14	1727.73	1617.65	2044.14	1917.94	1871.70
Other long term liabilities	426.08	96.50	511.71	349.72	41.90	73.66	23.86
Long term provisions	201.83	186.87	157.07	143.79	132.64	121.91	131.37
Total non current liabilities	2,252.32	2214.84	2401.79	2116.79	2226.57	2124.64	2044.92
3. Current Liabilities							
Short term borrowings	1.26	0.74	0.35	0.00	0.00	0.00	0.01
Trade payables	4,351.26	4,223.40	4119.53	3446.74	3368.28	3382.28	25

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							51.22
Other current liabilities	5446.16	5097.28	5885.59	5524.73	6228.04	5435.08	4237.01
Short term provisions	63.59	55.6	169.05	117.94	25.24	39.24	41.83
Total Current Liabilities	**12415.62**	**11478.09**	**10174.17**	**9089.41**	**9621.56**	**8856.60**	**6830.07**
Total Capital and Liabilities	**82,261.74**	**75092.50**	**71580.54**	**75235.36**	**69797.92**	**62381.31**	**54215.95**
B. Assets							
4. Non Current Assets							
Tangible assets	21,207.23	20,271.99	19216.75	19612.74	17945.65	15120.00	14469.32
Intangible assets	2,614.62	2,584.42	2581.52	519.45	540.75	445.99	410.92
Capital work in progress	1,681.47	2,442.34	3329.97	2776.31	3391.47	5016.85	3491.33
Other assets	352.26	364.20	376.56	385.36	0.00	0.00	0.00
Fixed assets	25,870.71	25,686.79	25508.30	23297.75	21887.76	20591.57	18417.26
Non current investments	16,363.55	15,657.32	12950.38	13455.59	14071.45	13493.77	8485.51
Long term loans and advances	4.07	5.06	2.37	3.31	6.21	7.40	5.84
Other non current assets	4,819.97	2,801.32	1304.07	1971.80	4263.54	3785.57	2769.95
Total Non Current Assets	47,058.30	44,150.49	**39765.12**	**38728.45**	**40228.96**	**37878.31**	**29678.56**
5. Current Assets							
Current investments	16357.07	11624.95	14046.71	17175.02	12506.55	9903.45	10099.78
Inventories	10593.9	9997.77	9470.87	8038.07	7587.24	7237.15	7863.99
Trade receivables	2321.33	1952.5	2090.35	2092.00	3646.22	2357.01	2207.50
Cash and cash equivalents	206.88	184.97	4001.50	6843.27	3768.73	2594.88	2747.27

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Short term loans and advances	5.95	5.73	2.77	4.87	5.02	4.15	3.37
Other current assets	138.09	1195.15	2203.22	2353.68	2055.20	2406.36	1615.48
Total Current Assets	**35203.44**	**30942.01**	**31815.42**	**36506.91**	**29568.96**	**24503.00**	**24537.39**
Total Assets	82,261.74	75,092.50	**71580.54**	**75235.36**	**69797.92**	**62381.31**	**54215.95**

Data Analysis

Components of Current Assets

Table 4.1 **(Amount in Crores)**

Particulars	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**Average**
Inventories	10,593.90	9,997.77	9470.87	8038.07	7587.24	7237.15	7863.99	8039.464
Investments	16,357.07	11,624.9	14046.71	17175.02	12506.55	9903.45	10099.78	12746.302
Trade receivables	2,321.33	1,952.50	2090.35	2092	3646.22	2357.01	2207.5	2478.616
Cash and cash equivalents	3,831.26	3,877.94	231.25	561.84	162.71	96.03	156.15	241.596
Loans	5.95	5.73	2.77	4.87	5.02	4.15	3.37	4.036
Other current assets	2,093.93	3,483.12	1006.07	847.74	694.91	1258.41	610.57	883.54
Total	35,203.44	30,942.01	31815.42	36506.91	29568.96	24503	24537.39	29386.336

(Source: Compiled from published annual reports of the company)

Interpretation:

From Table 4.1 it is found that a major portion of current assets is in the form of investment.

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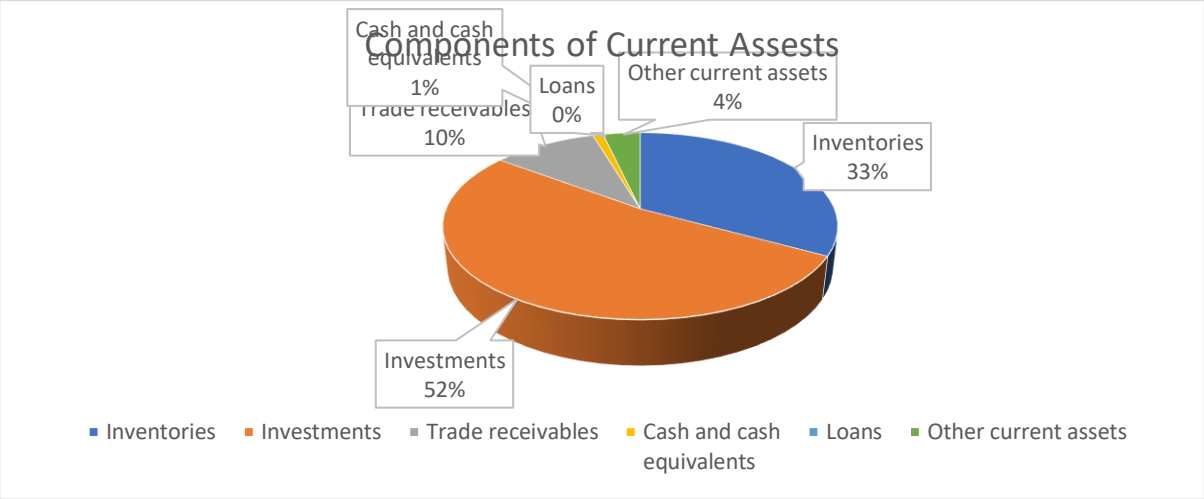

Liquidity Ratios

Current Ratio

Current ratio measures the firm's short-term solvency or ability of the firm to pay off itscurrent liabilities out of current assets. Ideal current ratio is 2:1.

Table 4.2 (Amount in Crores)

Year	Current Assets	Current Liabilities	Current Ratio
2016-2017	24537.39	6830.07	3.59
2017-2018	24503	8856.6	2.77
2018-2019	29568.96	9621.56	3.07
2019-2020	36506.91	9089.41	4.02
2020-2021	31815.42	10174.17	3.13
2021-2022	30942.01	11478.09	2.695
2022-2023	35203.44	12415.62	2.835
Average	30439.59	8482.30	3.16

(Source: Compiled from published annual reports of the company)

Interpretation:

The table 4.1 shows the current ratio for the last seven years. Current ratio for the year 2019- 2020 is higher. It is 4.02 for that year. The financial year 2021-2022 has the lowest current ratio which is 2.695. The average ratio is 3.16.

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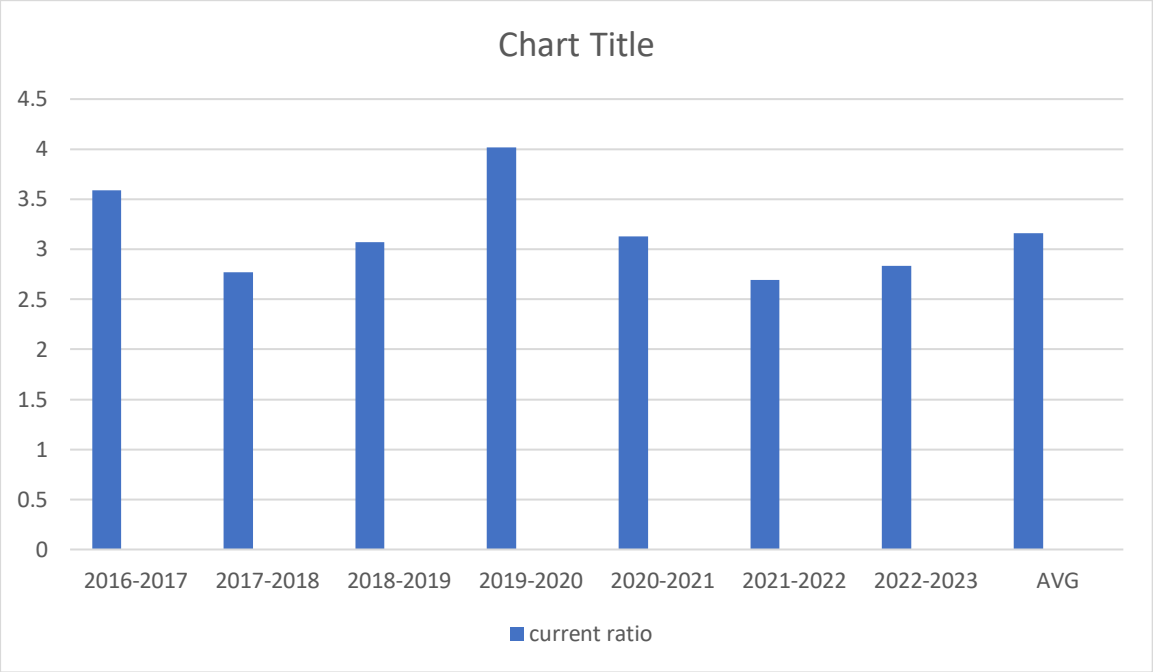

Quick Ratio

It establishes the relationship between quick assets and current liabilities. It is a measure of instant debt-paying ability of the firm. The ideal quick ratio is 1:1.

Table 4.3 (Amount in crores)

Year	Liquid Assets	Current Liabilities	Quick Ratio
2016-2017	16673.4	6830.07	2.44
2017-2018	17265.85	8856.6	1.95
2018-2019	21981.72	9621.56	2.28
2019-2020	28468.84	9089.41	3.13
2020-2021	22344.55	10174.17	2.20
2021-2022	20944.24	11478.09	1.824
2022-2023	24609.54	12415.62	1.982
Average	21755.45	9,780.78	2.25

(Source: Compiled from published annual reports of the

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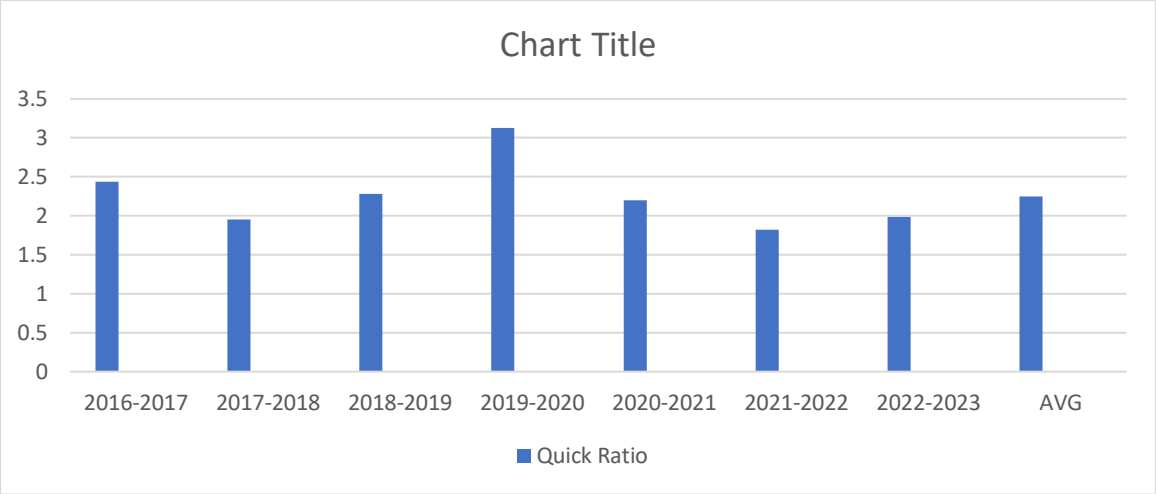
company)

Interpretation:

The table 4.3 shows the quick ratio for the past seven years. The financial year 2019-2020 has the highest quick ratio which is 3.13. The financial year 2021-2022 has the lowest quick ratio of 1.824.The average quick ratio is 2.25.



Absolute Liquid Ratio

Absolute Liquid Ratio is the ratio showing the relationship between cash and cash equivalents and current liabilities. The ideal absolute liquid ratio is 0.5:1.

Table 4.4 (Amount in crores)

Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquid Ratio
2016-2017	156.15	6830.07	0.023
2017-2018	96.03	8856.6	0.011
2018-2019	162.71	9621.56	0.017
2019-2020	561.84	9089.41	0.062
2020-2021	231.25	10174.17	0.023
2021-2022	184.97	11478.09	0.016

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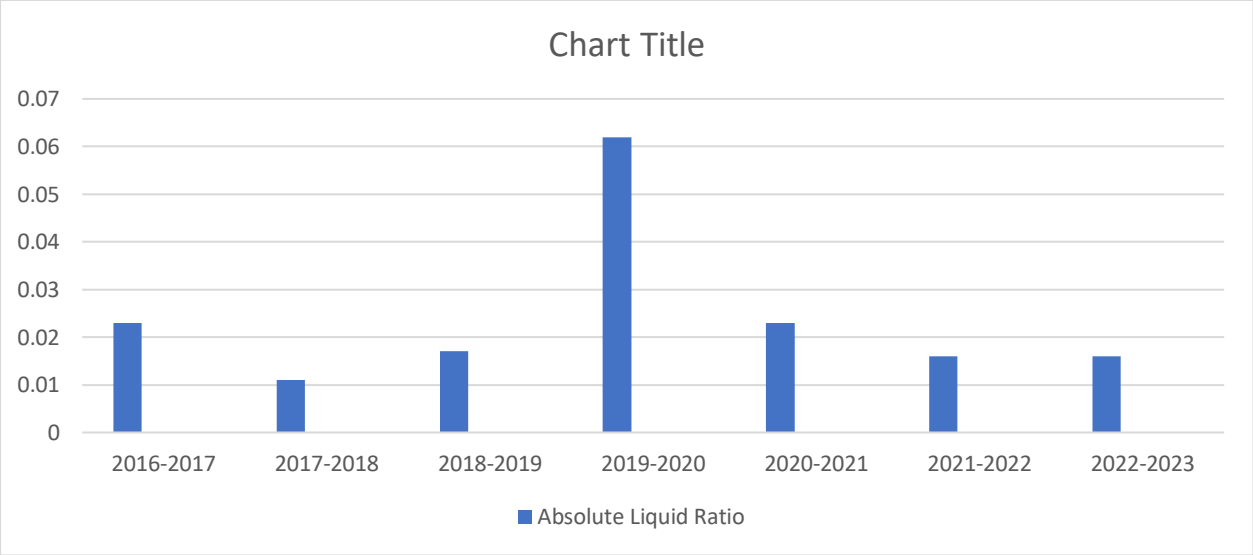
2022-2023	206.88	12415.62	0.016

(Source: Compiled from published annual reports of the company)

Interpretation:

Table 4.4 shows the absolute liquid ratio for the past seven financial years. The highest absolute liquid ratio is for the year 2019-2020 which is 0.062 and the lowest is for the year 2017-2018 which is 0.011. The average absolute liquid ratio is 0.016.



Profitability Ratios

Gross Profit Ratio

It is the ratio of gross profit to sales expressed as percentage. It is also known as gross margin.

Table 4.5 (Amount in Crores)

Year	Gross Profit	Net Sales	Gross Profit Ratio
2016-2017	16541	40088.86	41.26
2017-2018	17997.07	40627.54	44.30

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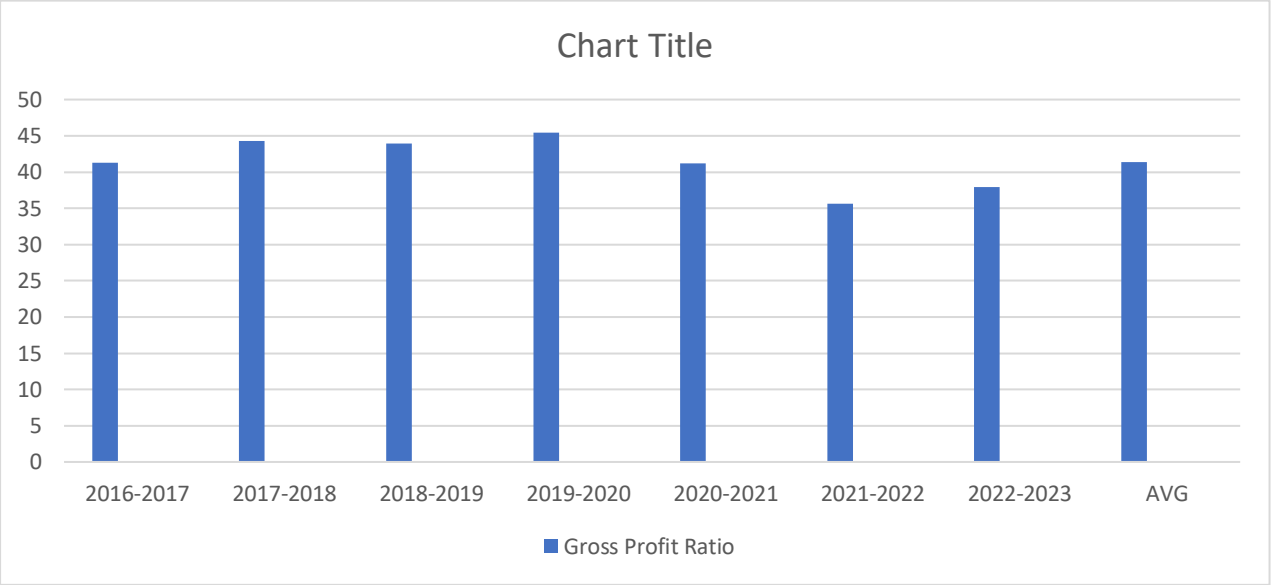
2018-2019	19755.86	44995.65	43.91
2019-2020	20730.08	45619.7	45.44
2020-2021	18725.98	45485.11	41.17
2021-2022	19829.53	55,696.80	35.60
2022-2023	24750.41	65272.28	37.91
Average	19762.84	48255.13	41.37

(Source: Compiled from published annual reports of the company)

Interpretation:

The table 4.5 shows the gross profit ratio for the past seven financial years. The highest gross profit ratio is of the year 2019-2020 which is 45.44% and the lowest ratio is for the year 2021-2022 which is 35.60%. The average gross profit ratio is 41.37.



Operating Profit Ratio

The operating profit ratio shows the relationship between operating profit and net sales. Itmeasures the operational efficiency of the firm.

Table 4.6 (Amount in Crores)

Year	operating profit	Net Sales	Operating Profit Ratio
2016-2017	16586.33	40088.86	41.37

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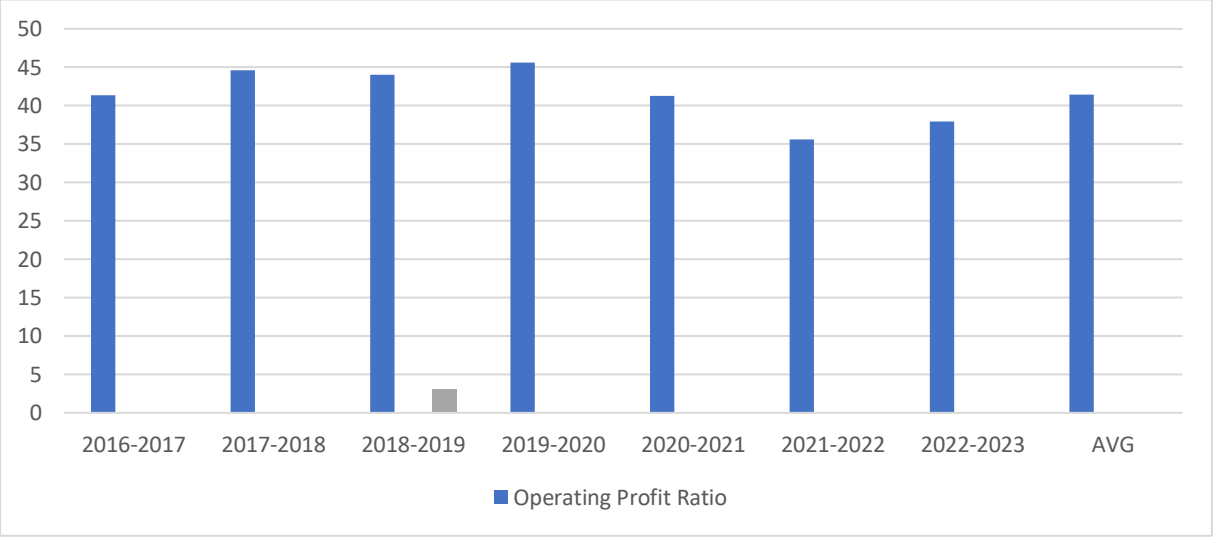
2017-2018	18106.67	40627.54	44.57
2018-2019	19813.9	44995.65	44.04
2019-2020	20810.52	45619.7	45.62
2020-2021	18784.92	45485.11	41.30
2021-2022	19829.53	55696.80	35.60
2022-2023	24750.41	65272.28	37.91
Average	19811.75	48255.13	41.48

(Source: Compiled from published annual reports of the company)

Interpretation:

The table 4.6 shows the operating profit ratio for the past seven financial years. The highest operating profit ratio is for the year 2019-2020 which is 45.62% and the lowest ratio is 35.60 for the year 2021-2022. The average operating profit ratio is 41.48%.



Operating Ratio

Operating ratio express the relationship between operating cost and sales. Itindicates the overall efficiency in operating the business.

Table 4.7 (Amount in Crores)

Year	Operating Cost	Net Sales	Operating Ratio

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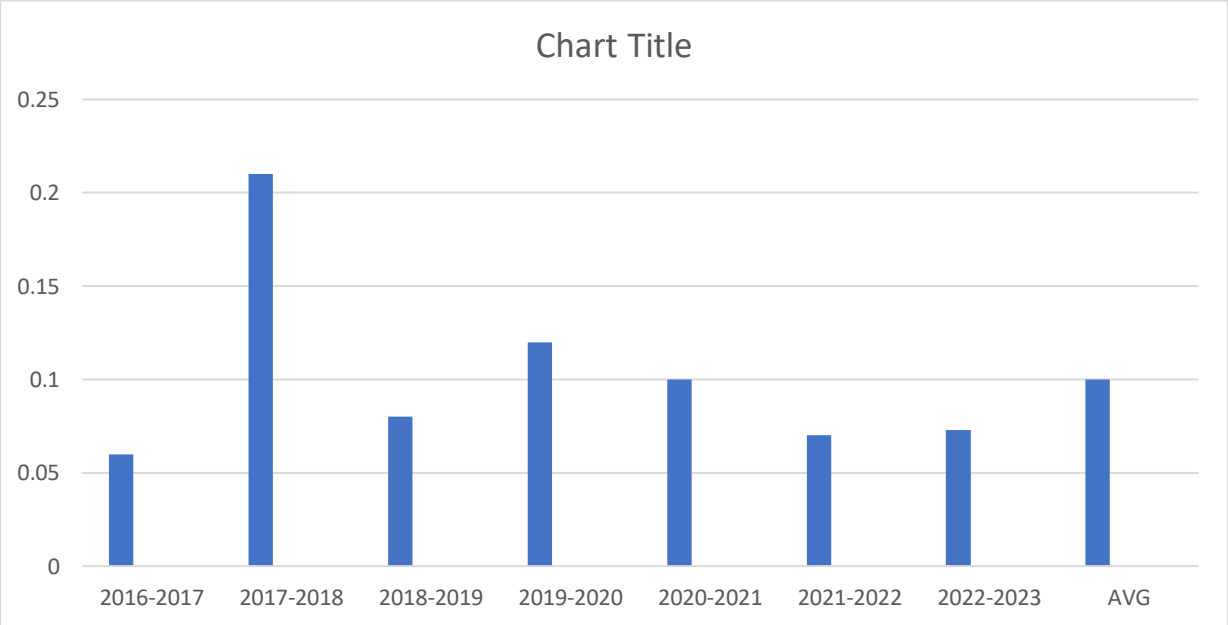
2016-2017	22.95	40088.86	0.06
2017-2018	86.65	40627.54	0.21
2018-2019	34.19	44995.65	0.08
2019-2020	55.72	45619.7	0.12
2020-2021	47.47	45485.11	0.10
2021-2022	42.5	55696.80	0.07
2022-2023	47.8	65272.80	0.073
Average	48.182	43363.372	0.10

(Source: Compiled from published annual reports of the company)

Interpretation:

The table 4.7 shows the operating ratio for the past seven financial years. The highest ratio is for the financial year 2017-2018 which is 0.21% and the lowest ratio is 0.06% for the financial year 2016- 2017. The average ratio is 0.10%.



Net Profit Ratio

Net profit Ratio shows the relationship between net profit and net sales. It measures the overall profitability as well as efficiency of the business.

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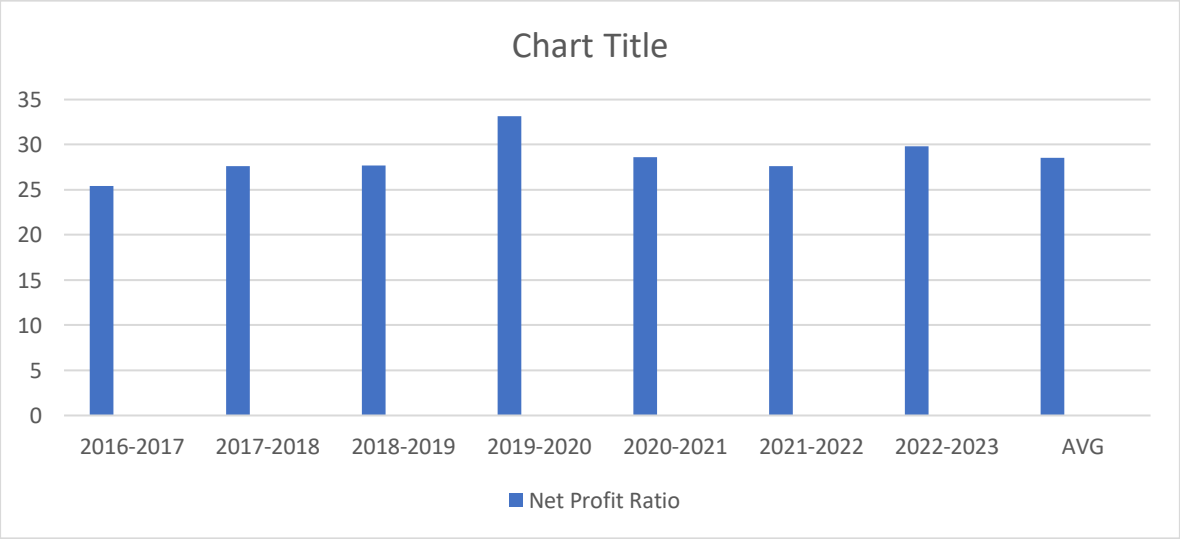
Table 4.8 (Amount in Crores)

Year	Net Profit	Net Sales	Net Profit Ratio
2016-2017	10200.9	40088.86	25.45
2017-2018	11223.25	40627.54	27.62
2018-2019	12464.32	44995.65	27.70
2019-2020	15136.05	45619.7	33.18
2020-2021	13031.64	45485.11	28.65
2021-2022	15485	19427	27.6
2022-2023	19.72	22.34	29.8
Average	11080.12	27235.22	28.57

(Source: Compiled from published annual reports of the company)

Interpretation:

Table 4.8 shows the net profit ratio for the past seven financial years. The highest ratio is 33.18% for the year 2019-2020 and the lowest ratio is 25.45% for the financial year 2016- 2017. The average ratio is 28.57%.



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Return on Total Asset

Return on total assets measures the earning when compared with total assets of the firm. Itshows the relationship between net profit and total assets.

Table 4.10 (Amount in Crores)

Year	Net Profit	Total Assets	Return on Total Assets
2016-2017	10200.9	54215.95	18.82
2017-2018	11223.25	62381.31	17.99
2018-2019	12464.32	69797.92	17.86
2019-2020	15136.05	75235.36	20.12
2020-2021	13031.64	71580.54	18.21
2021-2022	15058.83	77,259.55	19.50
2022-2023	18,753.31	85,882.98	21.83
Average	13695.47	70907.66	19.19

(Source: Compiled from published annual reports of the company)

Interpretation:

The table 4.10 shows the Return on Total assets for the past seven financial years. The highest ratios 21.83% for the year 2022-2023 and the lowest is 17.86% for the year 2018-2019. Theaverage return on total asset is 19.19%.

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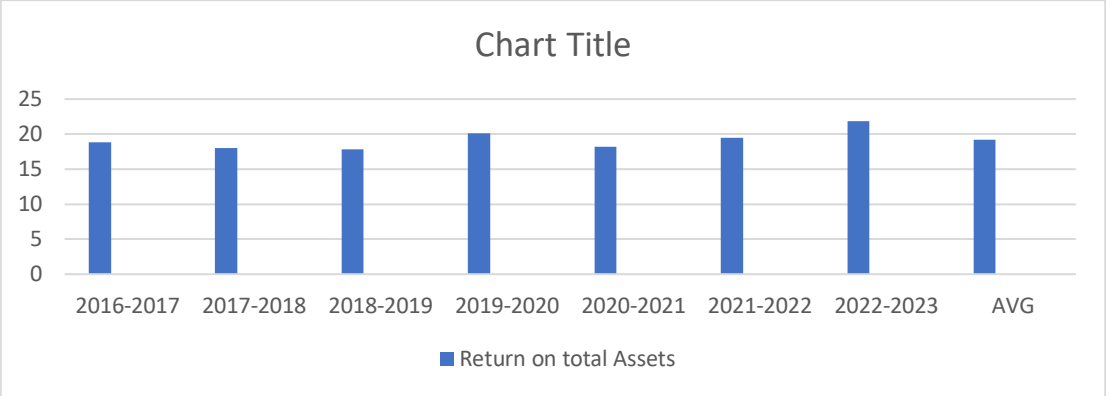

Diagram 4.10

Return on Shareholders Fund

Return on share holders fund shows the relationship between net profit and shareholders'fund. It measures the profitability from shareholders point of view.

Table 4.11 (Amount in Crores)

Year	Net Profit	Share HoldersFund	Return on Share HoldersFund
2016-2017	10200.9	45340.96	22.5
2017-2018	11223.25	51400.07	21.8
2018-2019	12464.32	57949.79	21.5
2019-2020	15136.05	64029.16	23.6
2020-2021	13031.64	59004.58	22.1
2021-2022	15057.83	61399.75	22.27
2022-2023	18753.31	67593.80	27.74
Average	13695.33	58102.59	22.3

(Source: Compiled from published annual reports of the company)

Interpretation:

Table 4.11 shows the Return on Shareholders fund for the past seven financial years. The highest ratio is 27.74% for the year 2022-2023 and

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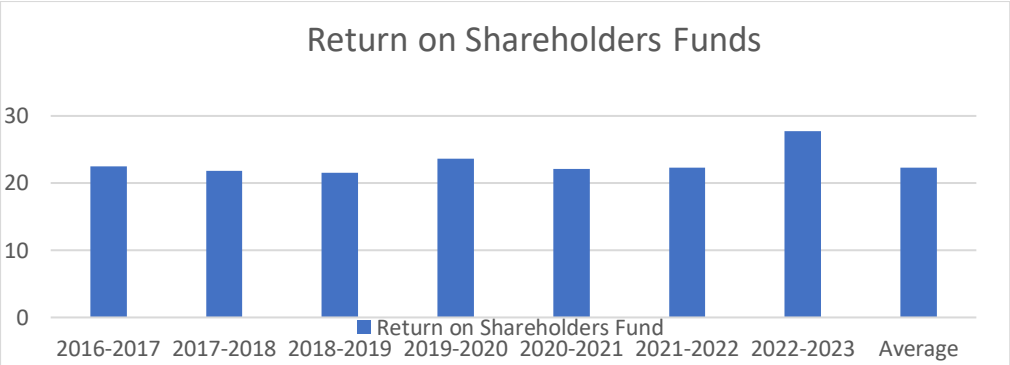
the lowest ratio is 21.5% for the year 2018-2019. The average return on shareholders fund is 22.30%.

Diagram 4.11



Activity Ratios

Inventory Turnover Ratio

The inventory turnover ratio shows the relationship between the cost of goods sold and the average inventory. It shows how frequently the inventory is converted to sales. The standard inventory turnover ratio is 8 times.

Table 4.12 (Amount in Crores)

Year	Cost of Goods Sold	Average Inventory	Inventory Turnover Ratio
2016-2017	23547.86	8191.905	2.87
2017-2018	22630.47	7550.57	3.00
2018-2019	25239.79	7412.195	3.41
2019-2020	24889.62	7812.655	3.19
2020-2021	26759.13	8754.47	3.06
2021-2022	28131.45	8655.83	3.25
2022-2023	28125.52	9072.74	3.10
Average	25617.69	8207.19	3.13

(Source: Compiled from published annual reports of the company)

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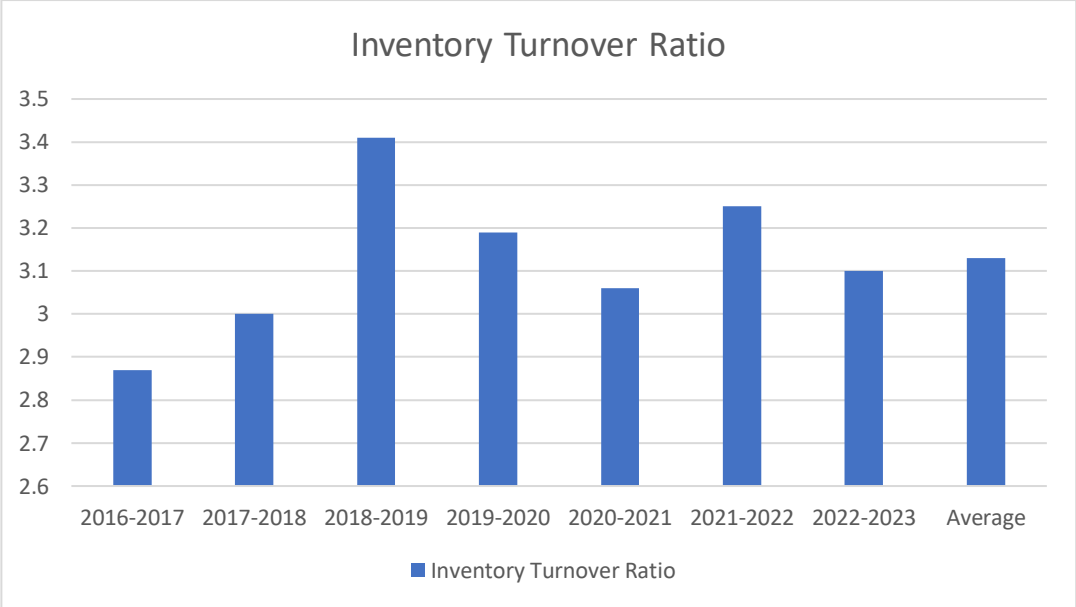
Interpretation:

Table 4.12 shows the inventory turnover ratio for the past seven financialyears. The highest ratio is 3.41 for the year 2018-2019 and the lowest ratio is 2.87 for the year 2016-2017. The average ratio is 3.13.

Diagram 4.12



Working Capital Turnover Ratio

Working capital turnover ratio shows the relationship between net sales and net working capital. The standard or ideal working capital turnover ratio is 7 or 8 times.

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Table 4.13 (Amount in Crores)

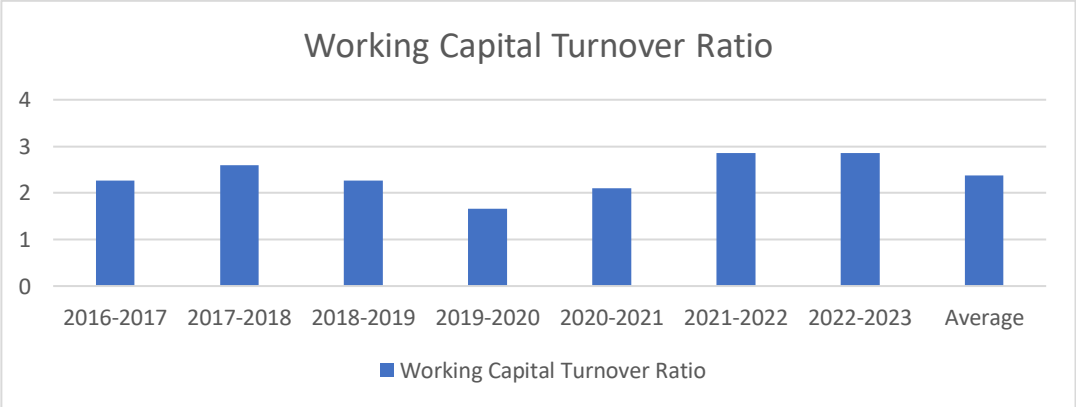
Year	Net Sales	Net Working Capital	Working Capital Turnover Ratio
2016-2017	40088.86	17707.32	2.26
2017-2018	40627.54	15646.40	2.60
2018-2019	44995.65	19947.40	2.26
2019-2020	45619.7	27417.50	1.66
2020-2021	45485.11	21641.25	2.10
2021-2022	55696.80	19463.92	2.86
2022-2023	65272.88	22787.82	2.86
Average	48255.28	20658.80	2.37

(Source: Compiled from published annual reports of the company)

Interpretation:

Table 4.13 shows the working capital turnover ratio for the past seven financial years. The highest ratio is 2.86 which is the same for two years being 2021-2022 and 2022-2023. The lowest ratio is 1.66 for the year 2019-2020. The average ratio is 2.37.

Diagram 4.13



Cash Flow Statement

Table 4.14 (Amount in Crores)

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Cash flow	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Net profit before tax	**15502.96**	**16851.70**	**18444.16**	**19166.81**	**17164.15**	**19829.53**	**24750.41**
Net cash flow from operating activities	**10002.02**	**12650.85**	**11749.05**	**13806.18**	**11493.95**	**14807.79**	**17911.70**
Net cash used in investing activities	**-2780.33**	**-6691.24**	**-5081.75**	**-5516.71**	**6487.89**	**1517.06**	**5159.37**
Net cash used in financing activities	**-7137.62**	**-6019.85**	**-6600.57**	**-7890.87**	**-18378.89**	**13337.03**	**12730.43**
Net increase or decreasein cash andcash equivalents	**84.07**	**-60.24**	**66.73**	**398.60**	**387.05**	**(46.30)**	**(21.90)**
Cash and cash equivalents at the beginning	**72.19**	**156.26**	**96.02**	**162.75**	**561.35**	**231.98**	**184.98**
Cash and cash equivalents at the end	**156.26**	**96.02**	**162.75**	**561.35**	**231.25**	**184.98**	**206.88**

(Source: Compiled from published annual reports of the company)

Interpretations:

The above table shows the cash flow position of the company for the past seven years. Cash and cash equivalents for the year 2019-2020 is the higher amount which is 561.35. Cash and cash equivalents for the year 2017-2018 is the lowestwhich is 96.02. For the financial year 2016- 2017 cash and cash equivalents was 156.26. It has decreased to 96.02 in 2017-2018. But in the year 2018-2019 it has increased to 162.75 and in the year 2019- 2020 it has again increased to 561.35. But for the financial year 2020-2021 cash and cash equivalents decreased to 231.25 and continued thre trend of decreasing with fiscal

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year 2021-2022 to 184.98 but saw an increase in 2022-2023 with 206.88

Trend Analysis

Trend analysis is the process of examining general trends in each item of the financial statements using data from the previous year's financial statements. It is a useful management tool for analyzing changes in a company's working capital from the beginning to the end of the financial year.

Table 4.15

Year	Net Working Capital	Trend Percentage
2016-2017	**17707.32**	**100.00**
2017-2018	**15646.40**	**88.36**
2018-2019	**19947.40**	**112.65**
2019-2020	**27417.50**	**154.84**
2020-2021	**21641.29**	**122.22**
2021-2022	**19463.92**	**144.30**
2022-2023	**22787.82**	**182.30**

(Source: Compiled from published annual reports of the company)

Interpretation:

The above table shows the trend analysis of the company for the past seven years. It is clear from the table that the working capital position of the company has fluctuated from 2016-2017 to 2022-2023. While analyzing the working capital position in the year 2017-2018 it is decreased by 88.36%. The working capital position in the year 2018-

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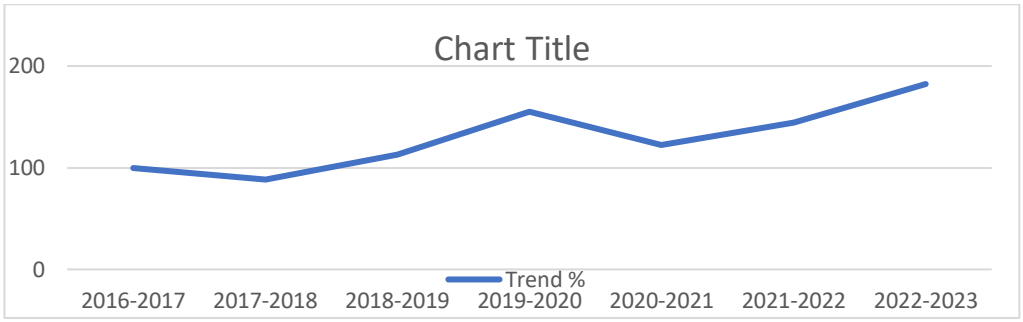
2019, it is clear that there is an increase of 112.65%. The working capital position in the year 2019-2020, it is again increased by 154.84% then the working capital position decreased by 122.22%. in year 2021-2022 it further decreased to 144.30% but came on track after an increase in 2022-2023 with 182.30% It indicates that the working capital position of the company has fluctuated in all years.

Diagram 4.15



FINDINGS

The study was primarily undertaken to analyse the working capital management of ITC Ltd.

- One of the important findings of the study was that the majority of the current assets of ITC Ltd. are held in the form of investments, which has been fluctuating over the past 5 years. The company has not been able to successfully maintain optimum investment in each component of current asset.

- After examining the assets, liabilities and other miscellaneous components, we determined that their current ratio for all the five years was above the standard Current ratio of 2:1. In the accounting year 2019-20, the ratio was 4:1. Thus, a big slice of the funds of the company was blocked in the form of current assets. Similarly, their quick ratio too was above the standard 1:1 for all the five years. On the other hand, their absolute Liquid ratio is below the standard 0.5:1 for all the years.

- Surveying other components, it was found that their Gross Profit ratio has been fluctuating in the past five years. Also, there is an instability in the Operating Profit of the company. While the Operating ratio was high in 2017-18, post 2017-18, it is showing a downward trend. Thie Net Profit ratio every year fluctuates between 25% and 35%.

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- Surveying the turnover along with other components, it was found that the Return on Investment was unstable in the past fiveyears and is showing a decreasing trend. Many of the ratios like Return on Total Assets and Return on Shareholders Fund have been fluctuating in the past five years. The Inventory Turnover Ratio is below the standard and is showing a downward trend. The Working Capital Turnover Ratio has also been unstable and below the standard.

- The Cash Flow position of the company is fluctuating and Trend Analysis shows that the working capital position of the company was also fluctuating. This is not very encouraging and the company must be cautious and try to achieve stability in most of its figures.

Conclusion

The study looked at how well ITC Ltd managed their money for day-to-day operations. Data is used from the company's reports over five years and analysed things like ratios, cash flow, and trends. They found that the company's working capital went up and down, and some ratios were good while others were inconsistent. Overall, the study suggested that ITC Ltd. should work on improving its working capital position. Having the right amount of money for the business to run smoothly is important. The management should use smart strategies to handle their money effectively.

Suggestions

- The company has to diminish speculation of reserves in the frame of brief-term investments.
- In arrange to increment the net benefit, the company ought to decrease the taken toll to the maximum.
- The company has to progress its productivity position.
- Funds of the company are blocked in a few current resources. So that, the company has to make appropriate choices in arrange to keep up a way better working capital position.
- Working capital turnover proportion appears a moo. It demonstrates beneath exchanging. So that the company can successfully utilize the working capital

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