



A STUDY ON FINANCIAL ANALYSIS OF INDIAN TOBACCO COMPANY

Ms.T.R.Umabharathi¹, SANDEEP A S²

¹ M.Com., Assistant professor department of commerce Professional accounting, Sri Krishna Adithya College of Arts and Science.

² B.Com professional accounting, Sri Krishna Adithya College of Arts and Science.

ABSTARCT :

ITC Limited operates in India's **Fast-Moving Consumer Goods (FMCG)** sector, with leadership in cigarettes and a strong presence in food, personal care, and stationery. It is also a diversified conglomerate with businesses in **hotels, paperboards, packaging, agribusiness, and IT services**. The FMCG industry is highly competitive, driven by branding, distribution, and innovation, while its agri-business supports rural economies. This project analyzes the financial performance of ITC Limited over a five-year period (2019-20 to 2023-24) using financial statement analysis tools such as ratio analysis, comparative balance sheets, and trend analysis. The study evaluates liquidity, solvency, profitability, and efficiency through key financial ratios, including current ratio, debt-equity ratio, gross and net profit margins, and fixed asset turnover. Findings indicate strong liquidity, low debt reliance, and consistent profitability, though slight fluctuations were observed in cash reserves and working capital. The comparative balance sheet highlights growth in shareholder funds and assets, while trend analysis reveals steady sales growth with a minor dip in 2024. Recommendations include optimizing inventory, improving cash reserves, and enhancing operational efficiency to sustain long-term growth. Overall, ITC demonstrates financial resilience and strategic adaptability, positioning it as

Keywords: Financial Analysis, Corporate Performance, ITC Limited, Ratio Analysis, FMCG Industry

INTRODUCTION :

Financial performance analysis is a critical tool for evaluating a company's operational efficiency, profitability, and long-term sustainability. This project conducts an in-depth financial analysis of **ITC Limited**, one of India's leading diversified conglomerates with a strong presence in the Fast-Moving Consumer Goods (FMCG), hospitality, paperboards, packaging, and agribusiness sectors. By examining **financial ratios, comparative balance sheets, and trend analysis** over a five-year period (2019-20 to 2023-24), the study aims to assess ITC's liquidity, solvency, profitability, and operational efficiency.

The analysis provides insights into ITC's financial health, strategic decision-making, and ability to navigate industry challenges such as regulatory pressures in the tobacco segment and competition in FMCG.

STATEMENT OF PROBLEM :

Financial statement analysis is primarily used for decision-making purposes. It helps internal and external stakeholders evaluate business performance and value. Internal constituents use it as a monitoring tool for managing finances. External stakeholders, such as government, customers, investors and creditors, use it to understand the overall health of an organization, evaluate financial performance, and assess business value. It is also used to identify potential problem areas and troubleshoot those. Hence in this study, an attempt has been made to analyse the financial statements of **INDIAN TOBACCO COMPANY LIMITED** for a period of 5 years (2019-20 – 2023-24) by using various techniques of analysis.

OBJECTIVE OF THE STUDY

- To evaluate the financial performance and financial health of the ITC Limited.
- To understand and diagnose the information contained in financial statement with a view to judge the profitability and financial soundness of the ITC Limited.
- To make a forecast about the future prospects of the ITC Limited.

REVIEW OF LITERATURE:

- **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.
- **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.

COMPANY PROFILE:

The company was incorporated on August 24, 1910 under the name Imperial Tobacco Company of India Limited. As the Company's ownership progressively Indianized, the name of the Company was changed to India Tobacco Company Limited in 1970 and then to I.T.C. Limited in 1974.



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	<ul style="list-style-type: none"> • 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; 114 years ago^[2]
Headquarters	Virginia House, Chowringhee Road, Kolkata

	India
Area served	<ul style="list-style-type: none"> Indian subcontinent Gulf countries
Key people	Sanjiv Puri (Chairman & MD) ^[3]
Revenue	▲ ₹79,568 crore (US\$9.3 billion) (FY2024)
Total equity	▲ ₹74,890 crore (US\$8.7 billion) (FY2024)
Number of employees	33,824 (2023)
Divisions	ITC Paperboards and Specialty Papers Division ITC Infotech

History of ITC Limited

ITC Limited, originally incorporated as the Imperial Tobacco Company of India in 1910, began as a tobacco manufacturer under British ownership. Post-independence, the company gradually indigenized, rebranding as India Tobacco Company (1970) and later as ITC Limited (1974) to reflect its diversified business model. Over the decades, ITC expanded beyond tobacco into FMCG (Aashirvaad, Sunfeast, Bingo!), hotels (ITC Hotels), paperboards & packaging, agribusiness (e-Choupal), and IT (ITC Infotech). A pioneer in sustainable practices, ITC became the world's first carbon-positive, water-positive, and solid waste recycling-positive conglomerate. Today, it stands as a ₹90,000+ crore enterprise, balancing market leadership in cigarettes with aggressive growth in non-tobacco segments, driven by innovation and nation-building initiatives.

Products & Companies Owned by ITC Limited

ITC Limited operates a diversified portfolio across multiple sectors, with brands and subsidiaries that dominate key markets:

1. FMCG (Fast-Moving Consumer Goods)
2. Hotels & Hospitality
3. Paperboards & Packaging
4. Agri-Business
5. IT & Subsidiaries

RATIO ANALYSIS

CURRENT RATIO:

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$$

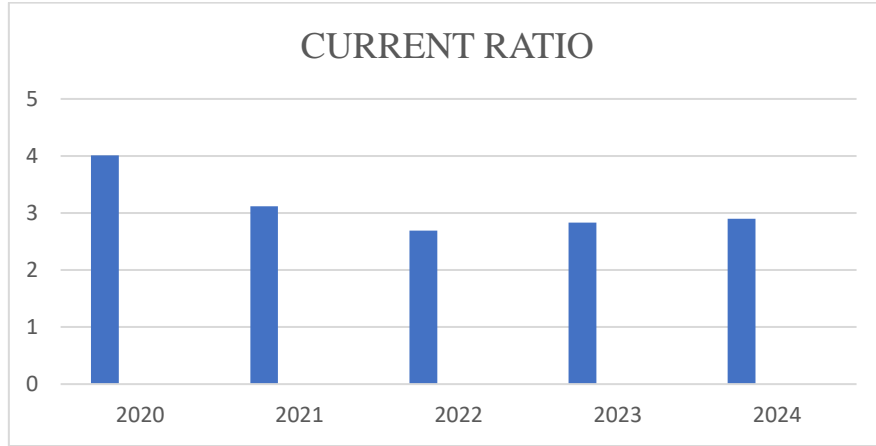
$$\text{CR} = (\text{CA} / \text{CL})$$

TABLE SHOWING CURRENT RATIO

YEAR	Current asset (In Rs Cr.)	Current Liabilities (In Rs Cr.)	Current Ratio
2020	36,506.91	9,089.41	4.01
2021	31,815.24	10,173.95	3.12
2022	30,942.01	11,478.09	2.69
2023	35,203.44	12,415.62	2.83
2024	36,070.67	12,415.61	2.90

INTERPRETATION

The current ratio has consistently remained above 2, indicating the company has a strong ability to cover its short-term obligations with current assets. However, it declined from 4.01 in 2020 to 2.69 in 2022, reflecting a reduction in liquidity relative to current liabilities. The ratio improved slightly from 2023 (2.83) to 2024 (2.90), suggesting better management of current assets and liabilities. Overall, the company maintains a healthy liquidity position, though it has seen some fluctuations over the years.

CHART SHOWING CURRENT RATIO**QUICK RATIO**

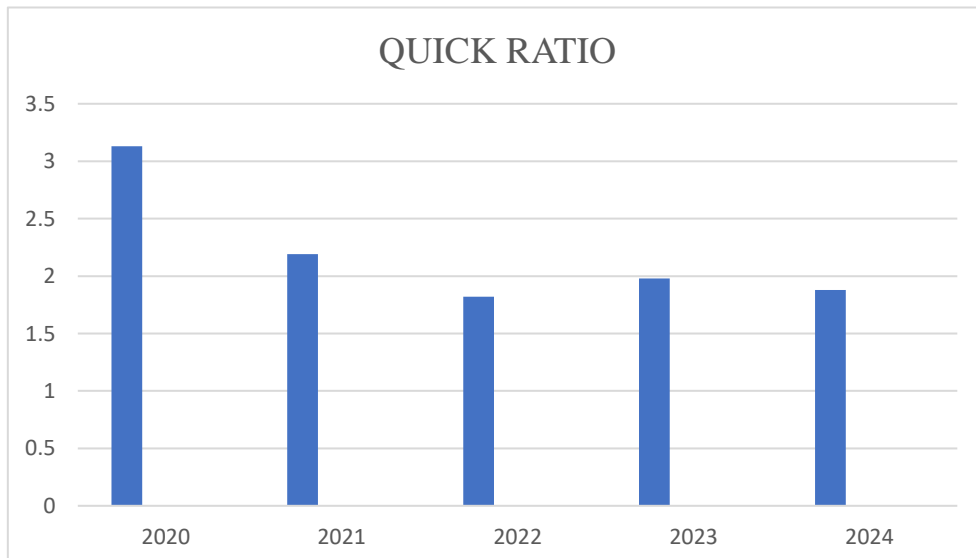
Quick Ratio= CURRENT ASSET – INVENTORIES/CURRENT LIABILITY

TABLE SHOWING QUICK RATIO

YEAR	QUICK ASSEST (In Rs Cr.)	Current Liabilities (In Rs Cr.)	QUICK RATIO
2020	28,468.84	9,089.41	3.13208888
2021	22,344.37	10,173.95	2.19623352
2022	20,944.24	11,478.09	1.82471474
2023	24,609.54	12,415.62	1.98214346
2024	23,439.16	12,415.61	1.88787824

INTERPRETATION

The quick ratio has consistently remained above 1, indicating the company has sufficient liquid assets to cover its short-term liabilities without relying on inventory. However, it declined from 3.13 in 2020 to 1.82 in 2022, reflecting a reduction in liquid assets relative to current liabilities. The ratio improved slightly in 2023 (1.98) but dipped again to 1.88 in 2024, showing some volatility in liquidity management. Overall, the company maintains a strong liquidity position, though it has experienced a gradual decline over the years.

CHART SHOWING QUICK RATIO

CASH RATIO

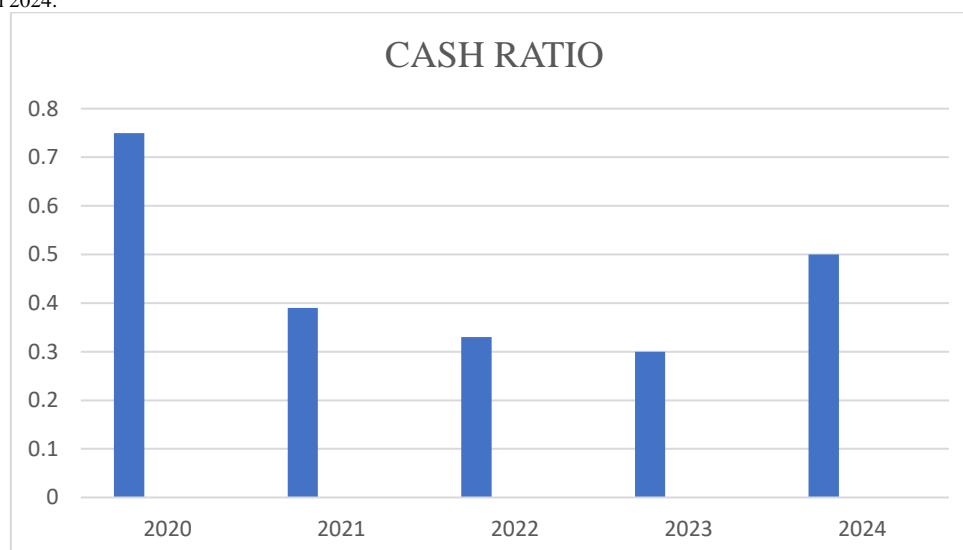
$$\text{Cash Ratio} = \text{Cash and Cash Equivalents} / \text{Current Liabilities}$$

TABLE SHOWING CASH RATIO

Year	Cash and Cash equivalents (In Rs. Cr)	Current Liabilities (In Rs. Cr)	Cash Ratio
2020	6,843.27	9,089.41	0.75
2021	4,001.53	10,173.95	0.39
2022	3,887.94	11,478.09	0.33
2023	3,831.26	12,415.62	0.30
2024	6,217.69	12,415.61	0.50

INTERPRETATION

The cash ratio declined significantly from **0.75 in 2020** to **0.30 in 2023**, indicating a reduced ability to cover short-term liabilities with cash and cash equivalents. This suggests tighter liquidity management or increased reliance on other current assets. However, in **2024**, the ratio improved to **0.50**, reflecting a recovery in cash reserves relative to current liabilities. Overall, the company's cash position has weakened over the years but showed signs of improvement in 2024.

**DEBT EQUITY RATIO**

$$\text{Debt equity ratio} = \text{Long term debt} / \text{Shareholder's fund}$$

TABLE SHOWING DEBT EQUITY RATIO

Year	Total Liability	Shareholders fund	Debt equity ratio
2020	9,588.55	64,029.16	0.14
2021	10,848.01	59,004.62	0.18
2022	12,025.79	61,399.57	0.19
2023	13,046.81	67,593.80	0.19
2024	13,010.64	72,233.30	0.18

INTERPRETATION

The debt-equity ratio has remained low and stable, ranging between **0.14 and 0.19**, indicating the company relies more on equity financing than debt. It increased slightly from **0.14 in 2020 to 0.19 in 2022 and 2023**, reflecting a marginal rise in debt relative to equity. However, it decreased to **0.18 in 2024**, suggesting better balance between debt and equity. Overall, the company maintains a conservative capital structure with low financial risk and a strong reliance on shareholder funds.

CHART DEBT EQUITY RATIO



PROPRIETARY RATIO

The proprietary ratio is also known as equity ratio, is a financial ratio that measures the proportion of a company's assets that are financed by its shareholders equity rather than by debt. Where "shareholders equity" refers to the amount of money that shareholders have invested in the company, plus any retained earnings or profits that have been reinvested in the business. "Total assets" refers to all of the company's assets, including both tangible assets.

$$\text{Proprietary ratio} = \text{Proprietar's Fund} / \text{Total Tangible Assets}$$

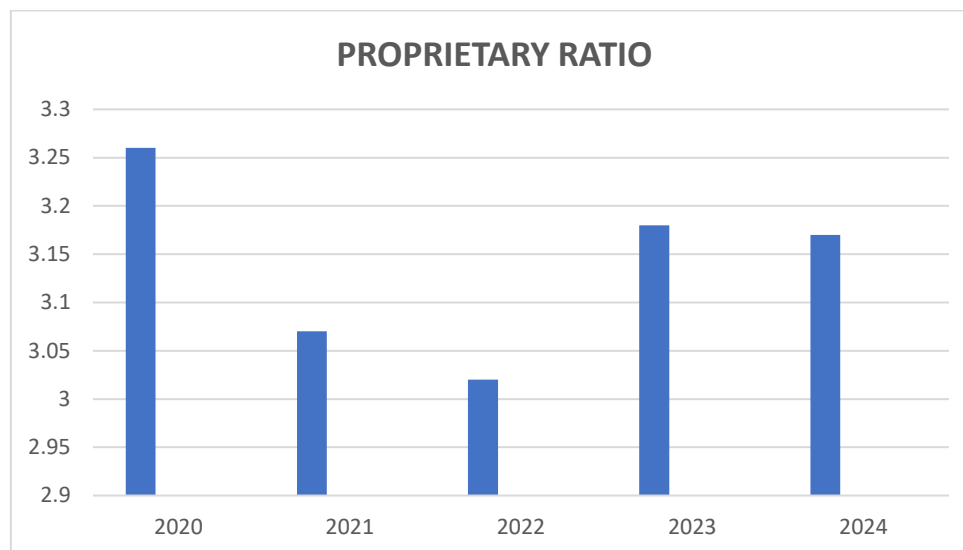
Table showing proprietary ratio

Year	Proprietar's Fund	Total Tangible Assets	Proprietary Ratio
2020	64,029.16	19,612.74	3.26
2021	59,004.62	19,216.75	3.07
2022	61,399.57	20,271.99	3.02
2023	67,593.80	21,207.23	3.18
2024	72,233.30	22,737.19	3.17

INTERPRETATION

The proprietary ratio has consistently remained above **3**, indicating that a significant portion of the company's tangible assets is financed by proprietor's funds (equity) rather than external debt. The ratio fluctuated slightly over the years, peaking at **3.26 in 2020** and dipping to **3.02 in 2022**, but remained stable around **3.17-3.18 in 2023 and 2024**. This reflects the company's strong financial stability and low dependence on external liabilities. Overall, the company maintains a healthy balance between proprietor's funds and tangible assets.

CHART SHOWING PROPRIETARY RATIO

**COMPARATIVE STATEMENT:**TABLE SHOWING COMPARATIVE BALANCE SHEET OF
ITC LIMITED ON 2022-2023

EQUITIES AND LIABILITIES	2022 (In Crs)	2023 (In Crs)	INCREASE / DECREASE IN 2022 OVER 2023	
			AMOUNT	PERCENT
SHAREHOLDER'S FUND				
Equity share capital	1,232.33	1,242.80	10.47	0.84
Total share capital	1,232.33	1,242.80	10.47	0.84
Reserves and surplus	58,850.91	65,609.55	6758.64	11.48
Total Reserve and surplus	58,850.91	65,609.55	6758.64	11.84
Employee stock options	1,316.33	741.45	(574.88)	(43.67)
Total shareholders fund	61,399.57	67,593.80	6194.23	10.08
NON-CURRENT LIABILITIES				
Long term borrowings	4.54	3.28	(1.26)	(27.75)

Deferred tax liabilities (NET)	1,667.14	1,621.13	(46.01)	(2.75)
Other long-term liabilities	356.29	426.08	69.79	19.58
Long term provisions	186.87	201.83	14.96	8.00
Total Non-Current Liabilities	2,214.84	2,252.32	37.48	1.69
CURRENT LIABILITIES				
Short term borrowings	0.74	1.26	0.52	17.27
Trade payables	4,223.40	4,351.26	127.86	3.02

Other current liabilities	7,198.35	7,999.51	801.16	11.12
Short term provisions	55.60	63.59	7.99	14.37
Total Current Liabilities	11,478.9	12,415.62	937.53	8.16
Total Capital And Liabilities	75,092.50	82,261.74	7169.24	9.54
ASSETS				
NON-CURRENT ASSETS				
Tangible assets	20,271.99	21,207.23	935.24	4.61
Intangible assets	2,584.42	2,614.62	30.2	1.16
Capital Work-in-progress	2,442.34	1,681.47	(767.87)	(31.15)
Intangible assets under development	23.84	15.13	(8.71)	(36.53)
Other assets	364.20	352.26	(11.94)	(3.27)
Fixed Assets	25,686.79	25,870.71	183.92	0.71
Non-current investments	15,657.32	16,363.55	706.23	4.51

Long term loans and advances	5.06	4.07	(0.99)	(19.56)
Other Non-current assets	2,801.32	4,819.97	2018.65	72.06
Total Non-Current Assets	44,150.49	47,058.30	2907.81	6.53
CURRENT ASSETS				
Current investment	11,624.95	16,357.07	4732.12	40.70
Inventories	9,997.77	10,593.90	596.13	5.96
Trade receivables	1,952.50	2,321.33	368.83	18.89
Cash and cash equivalents	3,877.94	3,831.26	(46.68)	(1.20)
Short term loans and advances	5.73	5.95	0.22	3.83
Other current assets	3,483.12	2,093.93	(1389.19)	(39.88)
Total Current Assets	30,942.01	35,203.44	4261.43	13.77
Total Assets	75,092.50	82,261.74	7169.24	9.54

INTERPRETATION

The assets of the company are increased compared to previous year. The Current liabilities are also increased in the 2023. The cash and cash equivalents are decreased but the current investment are increased in the year 2023. The total assets and liabilities for 2022 is Rs 75,092.50 crs and in the year 2023 is Rs 82,261.74 crs.

**TABLE SHOWING COMPARATIVE BALANCE SHEET OF
ITC LIMITED ON 2023-2024**

PARTICULARS	2023 (In Crs)	2024 (In Crs)	INCREASE / DECREASE IN 2023 OVER 2024	
			AMOUNT	PERCENT
EQUITIES AND LIABILITIES				
Shareholder's funds				
Equity share capital	1,242.80	1,248.47	5.67	0.46

Total share capital	1,242.80	1,248.47	5.67	0.46
Reserves and Surplus	65,609.55	70,477.24	4,867.69	7.42
Total Reserves and Surplus	65,609.55	70,477.24	4,867.69	7.42
Employees Stock Options	741.45	507.59	(233.86)	(31.54)
Total shareholders' funds	67,593.80	72,233.30	4,639.50	6.86
Non-current liabilities				
Long term borrowings	3.28	1.76	(1.52)	(46.34)
Deferred tax liabilities [net]	1,621.13	2,083.66	462.53	28.53
Other long term Liabilities	426.08	371.82	(54.26)	(12.73)
Long term provisions	201.83	221.45	19.62	9.72
Total non-current liabilities	2,252.32	2,678.69	426.37	18.93
Current liabilities				

Short term borrowings	1.26	1.52	0.26	20.63
Trade payables	4,351.26	4,489.55	138.29	3.18
Other current liabilities	7,999.51	7,855.82	(143.69)	(1.79)
Short term provisions	63.59	68.72	5.13	8.06
Total current liabilities	12415.62	12,415.61	(0.01)	(0.00008054)
Total Capital and Liabilities	82261.74	87,327.60	5,065.86	6.16
ASSETS				
Non-current assets				
Tangible assets	21,207.23	22,737.19	1,529.96	7.21
Intangible assets	2,614.62	2,632.94	18.32	0.70
Capital work-in-progress	1681.47	1,077.97	(603.50)	(35.90)
Intangible assets under development	15.13	9.07	(6.06)	(40.05)
Other non-current assets	352.26	373.09	20.83	5.91

Fixed assets	25,870.71	26,830.26	959.55	3.70
Non-current investments	16,363.55	22,821.94	6,458.39	39.46
Long Term Loans and Advances	4.07	2.63	(1.44)	(35.38)
Other non-current assets	4,819.97	1,602.10	(3,217.87)	(66.76)
Total non-current assets	47,058.30	51256.93	4,198.63	8.92
Current assets				
Current investments	16,357.07	11,916.88	(4,440.19)	(27.14)
Inventories	10,593.90	12631.51	2,037.61	19.23
Trade receivables	2,321.33	3,311.45	990.12	42.65
Cash and cash equivalents	3,831.26	6,217.69	2,386.43	62.28
Short Term Loans and Advances	5.95	9.1	3.15	52.94
Other current assets	2,093.93	1984.04	(109.89)	(5.25)

Total current assets	35,203.44	36,070.67	867.23	2.46
Total assets	82,261.74	87,327.60	5,065.86	6.15

INTERPRETATION

The company's total capital and liabilities grew by **6.16% (Rs. 5,065.86 Cr)** in 2024, driven by a **6.86% increase in shareholder's funds** and an **18.93% rise in non-current liabilities**. On the assets side, non-current assets increased by **8.92%**, largely due to a **39.46% jump in non-current investments**, while current assets saw a modest **2.46% growth**, supported by a **62.28% rise in cash and cash equivalents**. However, declines in current investments (**-27.14%**) and capital work-in-progress (**-35.90%**) indicate challenges in liquidity and project execution.

Findings

The financial analysis of ITC Limited from 2019-20 to 2023-24 reveals a strong and stable financial position. The company maintains a healthy liquidity position, as evidenced by its current ratio consistently above 2, though it declined from 4.01 in 2020 to 2.90 in 2024. The quick ratio also remained above 1, indicating sufficient liquid assets to cover short-term obligations. However, the cash ratio showed a declining trend before recovering slightly in 2024, suggesting tighter cash management in recent years. The debt-equity ratio remained low (0.14–0.19), reflecting a conservative capital structure with minimal reliance on debt. Profitability metrics such as gross and net profit margins were stable, demonstrating consistent earnings despite minor fluctuations. The comparative balance sheet analysis highlighted growth in shareholder funds and total assets, though working capital efficiency could be improved, given the rising inventories and fluctuating cash reserves.

Suggestions

To sustain long-term growth, ITC should focus on optimizing inventory management to reduce holding costs and improve working capital efficiency. Enhancing cash reserves through better liquidity planning would help mitigate short-term financial risks. The company should also explore opportunities to improve operational efficiency, particularly in capital-intensive projects, where delays were observed. Diversifying revenue streams further, especially in non-tobacco segments like FMCG and hospitality, can reduce dependency on the tobacco business and regulatory risks. Additionally, ITC could consider strategic investments in digital transformation and supply chain automation to enhance cost-effectiveness and competitiveness in the FMCG sector.

Conclusion

ITC Limited has demonstrated financial resilience, strategic adaptability, and consistent profitability over the five-year study period. Its strong liquidity, low debt reliance, and diversified business model position it well for sustained growth. While minor inefficiencies in working capital and cash management were observed, the company's overall financial health remains robust. By implementing prudent financial strategies, optimizing operational efficiency, and leveraging its diversified portfolio, ITC can continue to strengthen its market leadership and deliver long-term value to stakeholders. The study reaffirms ITC's status as a financially sound and strategically agile conglomerate in India's competitive business landscape.