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

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ABSTRACT

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

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

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

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

I. INTRODUCTION

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

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

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

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

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

II. OBJECTIVES OF THE STUDY

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

III. REVIEW OF LITERATURE

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

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

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

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

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

IV. RESEARCH METHODOLOGY

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

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

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

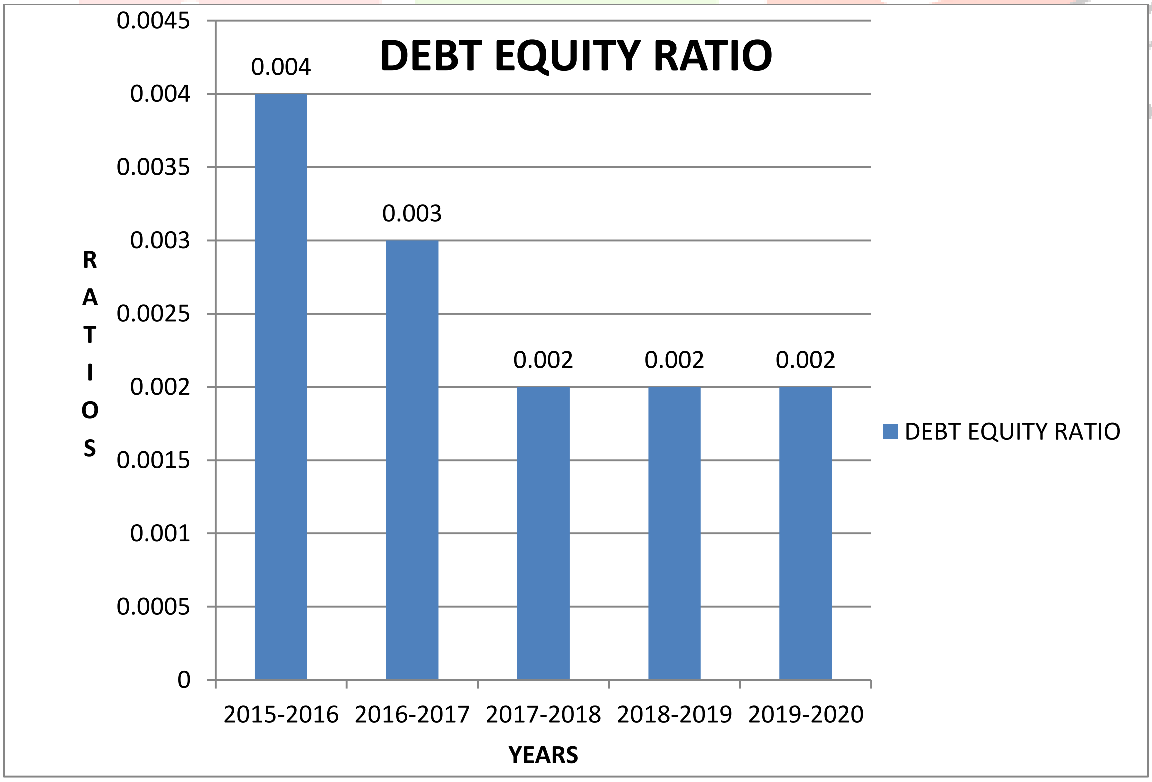
V. RESEARCH DESIGN

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

SOLVENCY RATIOS

DEBT EQUITY RATIO

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

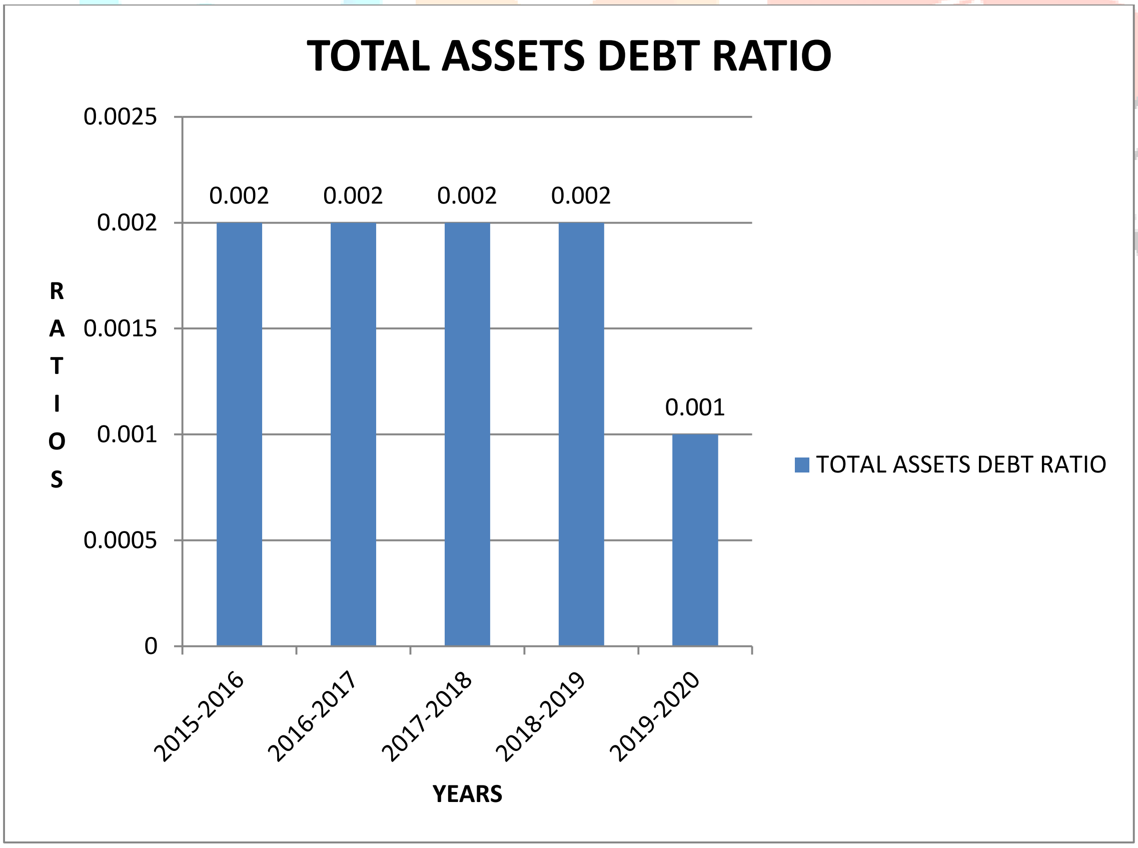


INFERENCES

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

TOTAL ASSETS TO DEBT RATIO

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

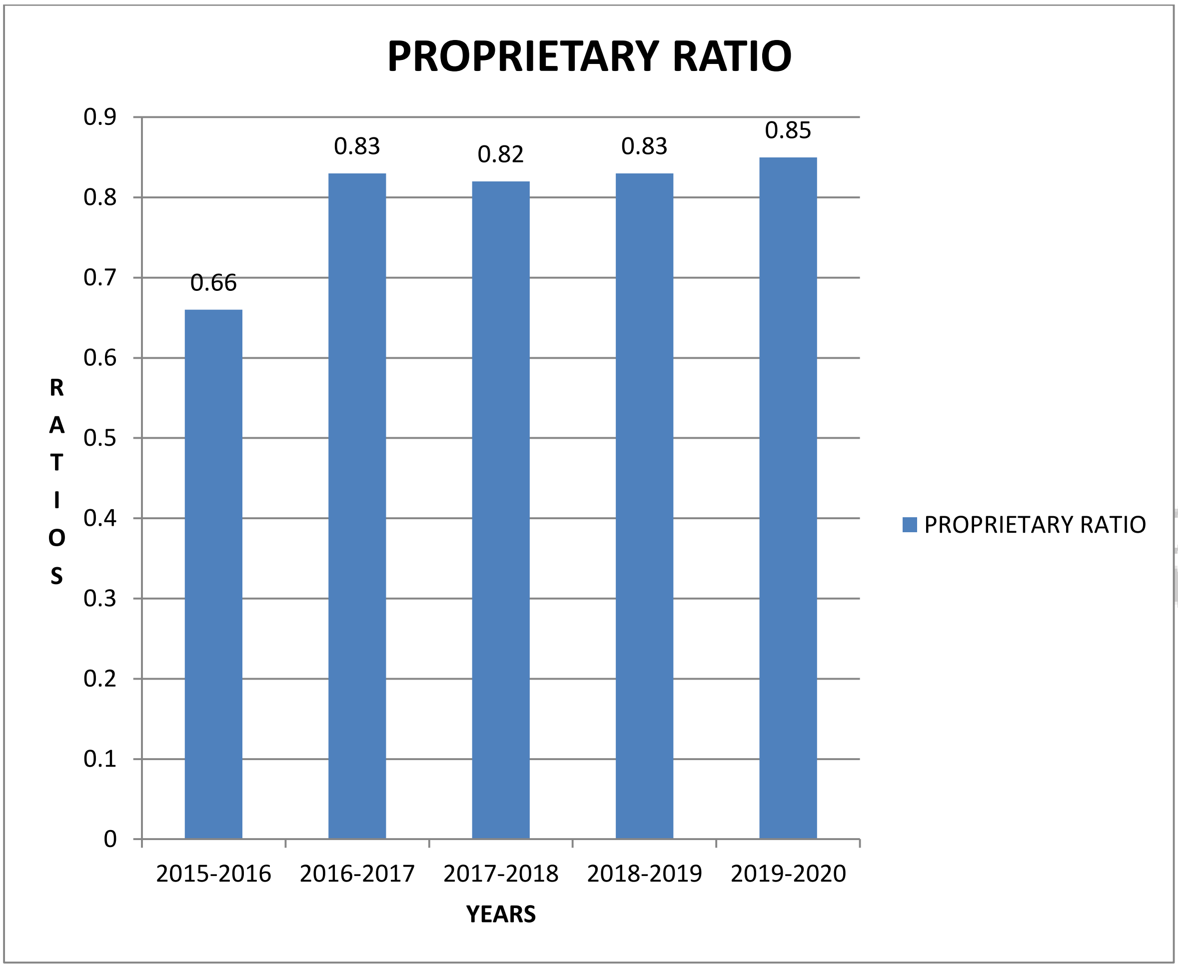


INFERENCES

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

PROPRIETARY RATIO

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

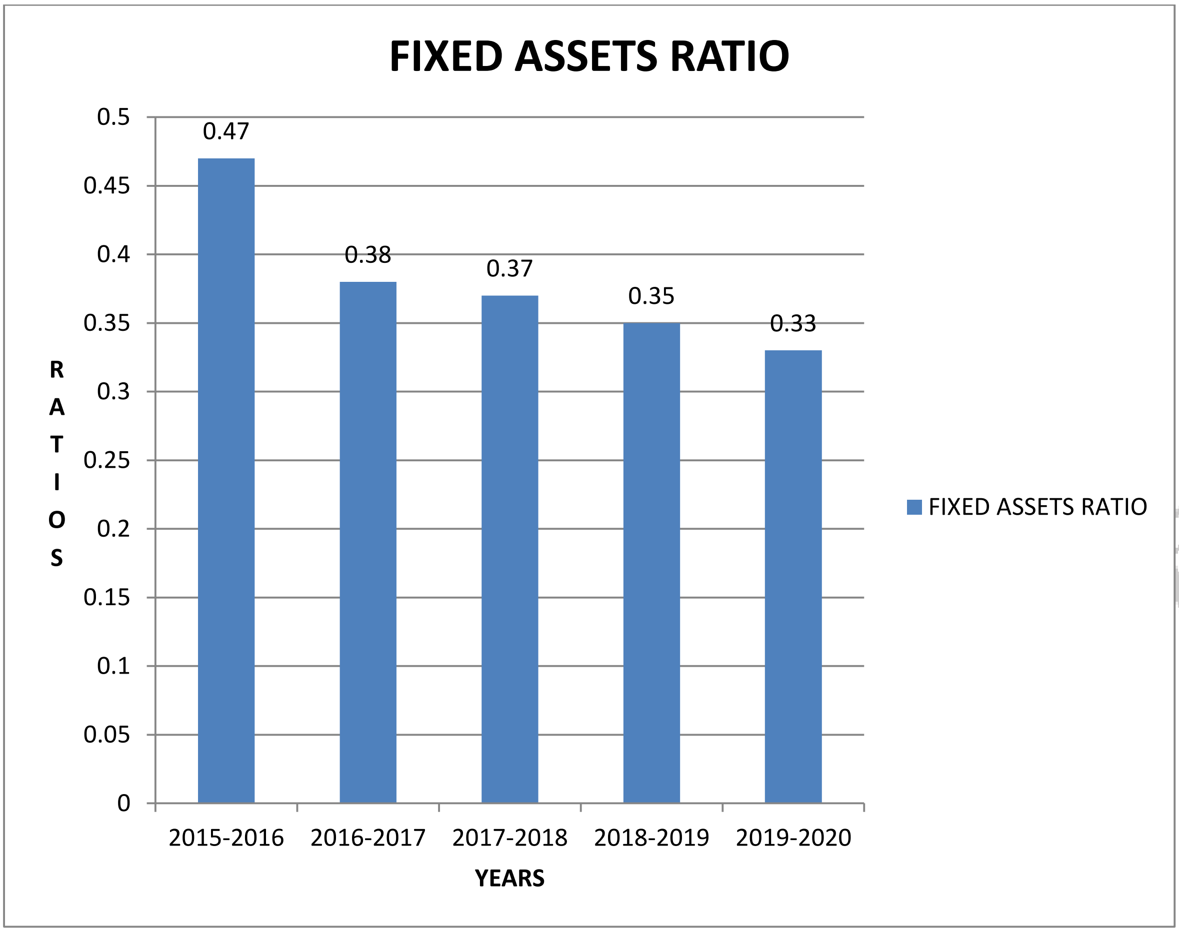


INFERENCES

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

FIXED ASSETS RATIO

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

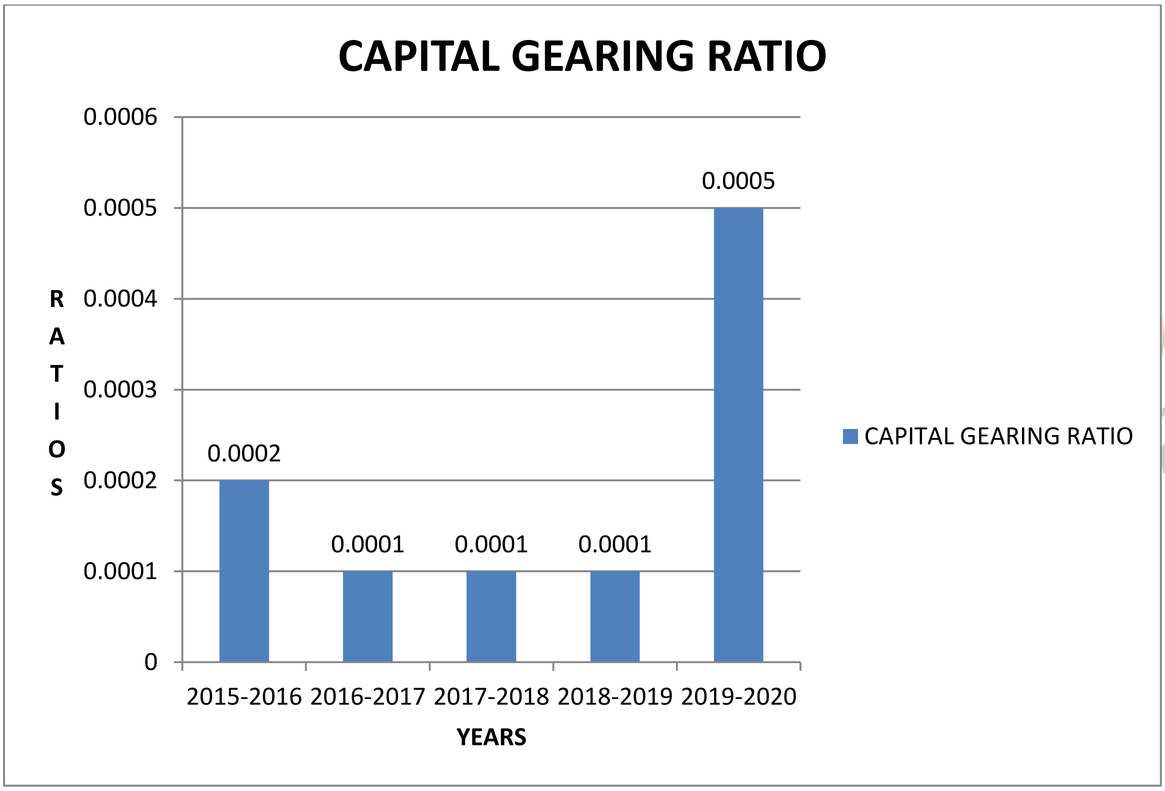


INFERENCES

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

CAPITAL GEARING RATIO

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



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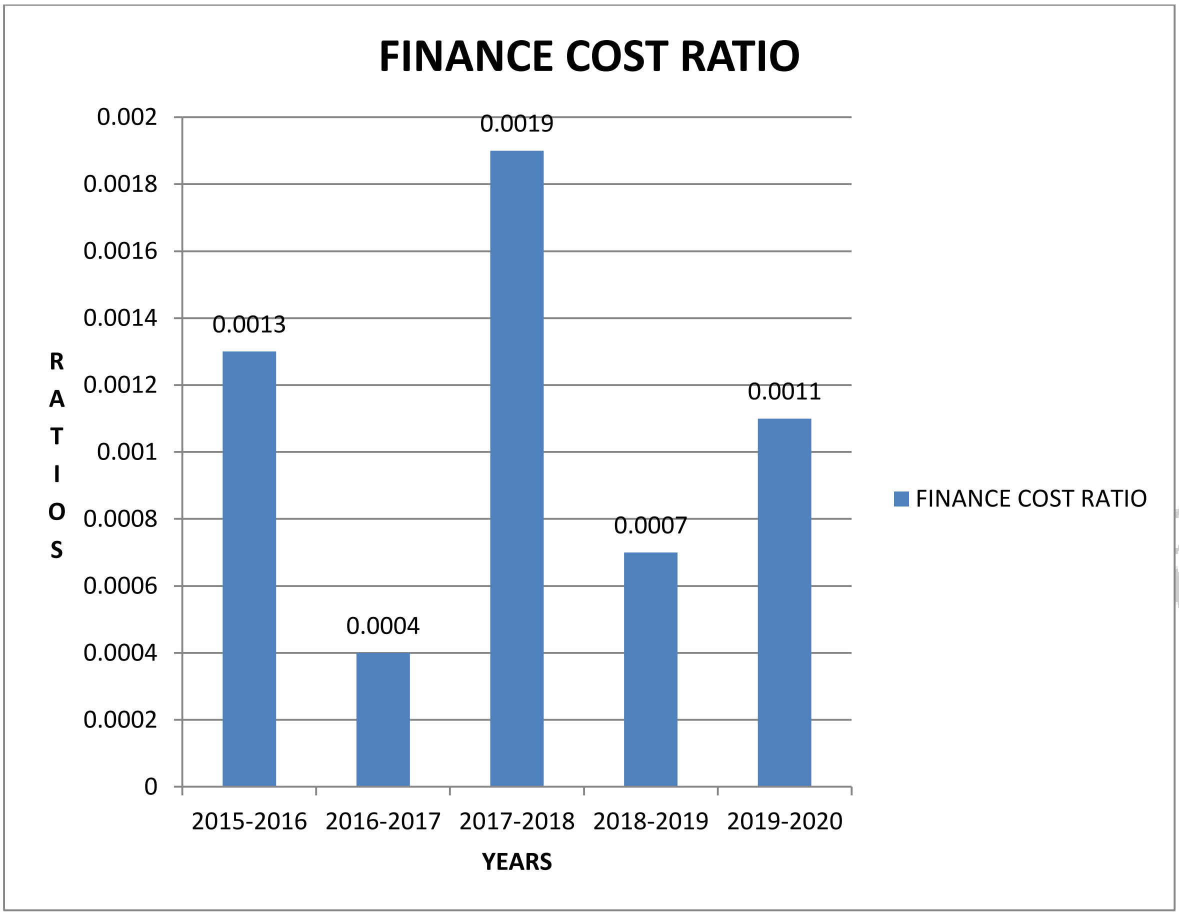
An optimal gearing ratio is primarily determined by the individual company relative to other companies within the same industry. The good capital gearing ratio lower than 25 %, in this company it maintains the capital gearing in minimum percentage so, it is considered low risk by both investors and lenders.

FINANCE COST RATIO

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



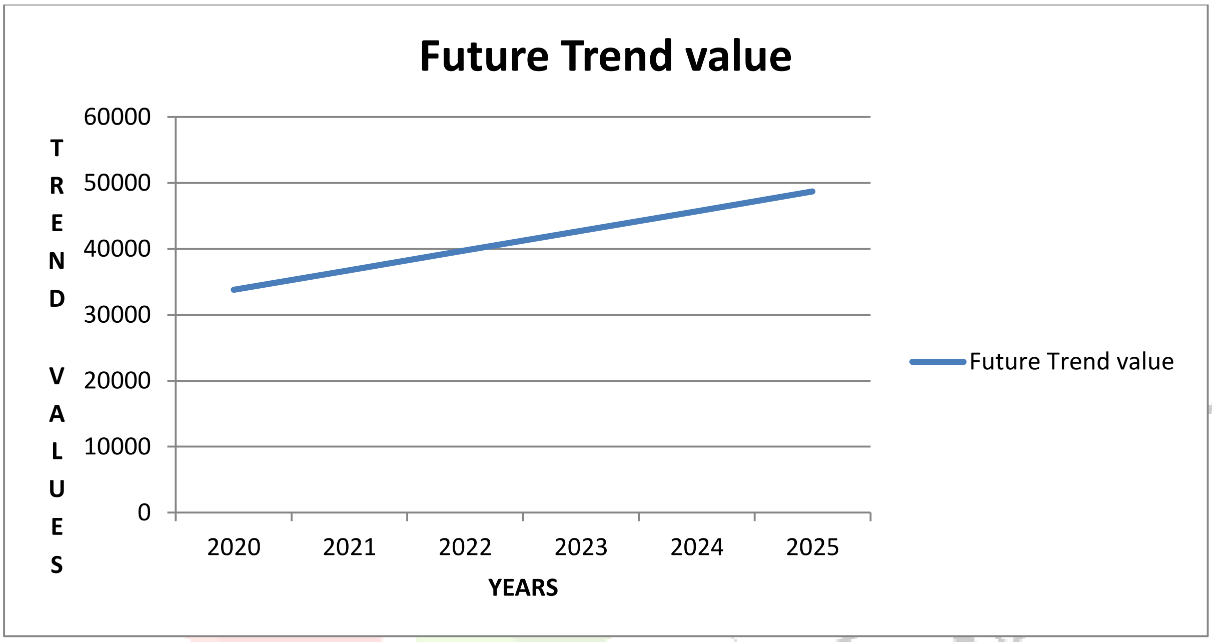
INFERENCES

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

TREND ANALYSIS

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

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

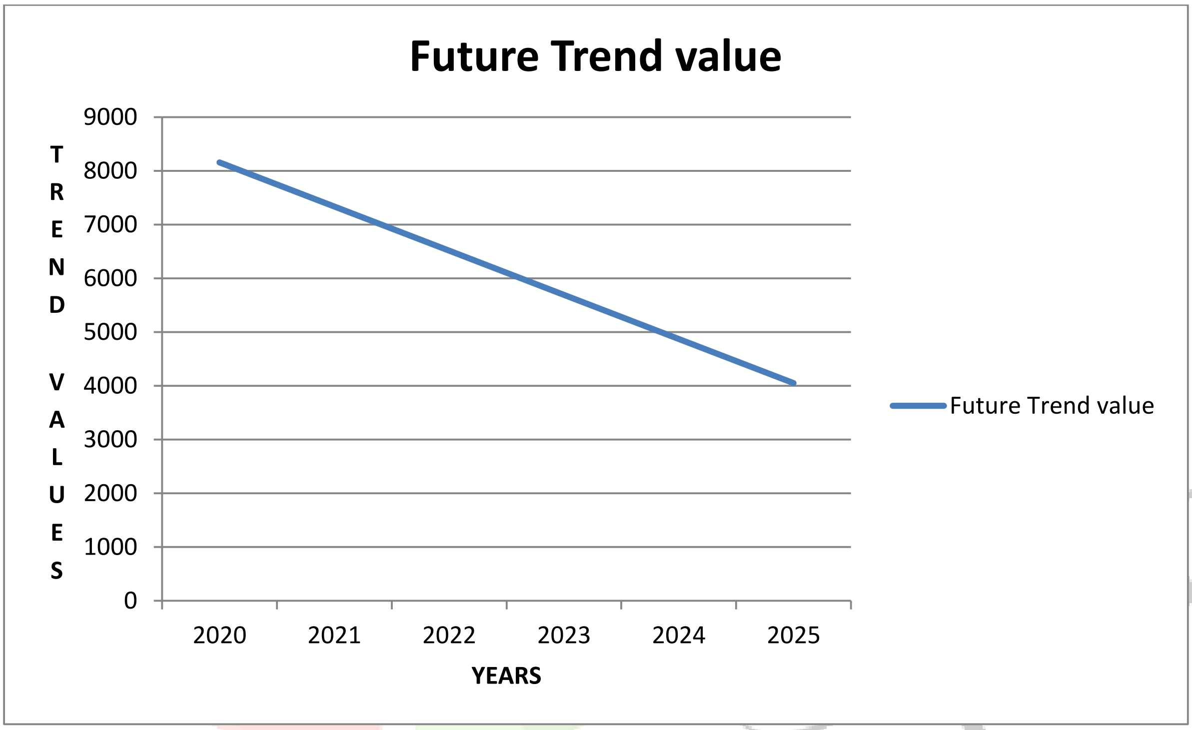


Interpretation

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

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

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



Interpretation

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

VI. SUGGESTION

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

VII. CONCLUSION

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

ABSTRACT

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

The tools used for the information analysis are traditional ratio analysis and analytic thinking. The study shows that over a period of 5 years from 2016 - 2020. Effective cash management has declined within the recent years. A firm should aim at maximizing the wealth of its shareholders. In its endeavor to try to to so, a firm should earn sufficient return from its operation. Earning a gradual amount of profit requires successful sales activity. The firm needs to invest enough funds in current asset for generating sales.

The objectives are to investigate the financial position and to work out efficiency in cash, inventories, debtors and creditors. Further, to grasp the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis so arriving at conclusions, which are important to grasp the efficiency / inefficiency of money.

It was noticed within the study that the corporate had utilized its Cash efficiently and may also attempt to get simpler values by engaged on it. The cash required to satisfy out this liabilities is maintained at a traditional level that shows the corporate follows a median policy.

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