

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Bachelor Thesis

**Assessment of Financial Position & Performance of
Indian Tobacco Company Ltd**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Vaibhav Bhalala

Business Administration

Thesis title

Assessment of financial position and performance of the Indian Tobacco Company.

Objectives of thesis

The thesis primarily focuses on analyzing the financial position and financial performance of chosen Indian FMCG company i.e. ITC. The financial position will be evaluated using balance sheet of the company whereas financial performance will be assessed using Income statement.

Methodology

The practical part includes analysis of financial position and financial performance of ITC which will be done using the vertical and horizontal analysis. Moreover, selected financial ratios will be analysed in order to evaluate financial position of the company. The data for analysis will be collected from annual reports of the company which covers a period of past three years i.e. from 2018 to 2021. The results gathered from practical part will be discussed under the chapter of result and discussion. Further, the thesis will be concluded based on the results obtained from the analysis.

The proposed extent of the thesis

40 – 60 pages

Keywords

ITC Keywords – Financial Statement Analysis, Ratio Analysis, Financial Position, Financial Performance, ITC, FMCG Industry

Recommended information sources

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Declaration

I declare that I have worked on my bachelor thesis titled " Assessment of Financial Position & Performance of Indian Tobacco Company Ltd" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on date of submission

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Assessment of Financial Position & Performance of Indian Tobacco Company Ltd

Abstract

Before making any choice regarding an investment, it is essential for a person to have a solid understanding of the actual financial state of the company being considered. Since a growing number of businesses are falling into insolvency and a growing number of businesses are turning to fraudulent business practises by altering the amounts on their balance sheet to entice additional investments. As a result, the thesis incorporates an analysis of Indian Tobacco Company's financial position as well as its financial performance. This was done with the intention of assisting investors in gaining a better understanding of the company's financials. To conducting an analysis of ITC's financials, vertical analysis, horizontal analysis, ratio analysis, and z-score analysis are conducted. The analysis makes use of secondary data that has been extracted from annual reports of the company over a period of five years, beginning in 2017–2018 and continuing through 2021–2022. The findings indicated that there have been significant shifts regarding the other expenses, as well as the property, plant, and machinery. The contribution of total expenses and revenue from operations makes a significant impact on the profit made by the company. The company needs to place a greater emphasis on effectively managing its inventory, and in tandem with this, it should ensure that its resources are allocated appropriately. This will ensure that all its assets are used, which will result in an increase in revenue. According to the findings of the z-score analysis, ITC has consistently reported z-scores above 2.99 over the past five years. This can be interpreted that, it is risk-free for shareholders to invest in the company, and the company will not fail to meet its financial commitments.

Keywords: Financial analysis, FMCG Industry, ITC, Ratio analysis, Vertical analysis, Horizontal analysis, Altman z-score analysis.

Posouzení finanční pozice a výkonnosti společnosti Indian Tobacco Company Ltd

Abstraktní

Před provedením jakékoli volby týkající se investice je nezbytné, aby osoba dobře rozuměla skutečné finanční situaci uvažované společnosti. Vzhledem k tomu, že rostoucí počet podniků upadá do platební neschopnosti a rostoucí počet podniků se uchyluje k podvodným obchodním praktikám tím, že mění částky ve své rozvaze, aby nalákaly další investice. Výsledkem je, že práce zahrnuje analýzu finanční pozice Indian Tobacco Company a také její finanční výkonnost. Stalo se tak se záměrem pomoci investorům lépe porozumět financím společnosti. K provedení analýzy financí ITC se provádí vertikální analýza, horizontální analýza, poměrová analýza a analýza z-skóre. Analýza využívá sekundární data, která byla extrahována z výročních zpráv společnosti za období pěti let, počínaje lety 2017–2018 a pokračovat v letech 2021–2022. Zjištění naznačují, že došlo k významným posunům, pokud jde o ostatní výdaje, jakož i majetek, závody a stroje. Příspěvek celkových nákladů a výnosů z provozu má významný vliv na dosažený zisk společnosti. Společnost musí klást větší důraz na efektivní řízení svých zásob a současně s tím by měla zajistit, aby její zdroje byly vhodně alokovány. Tím bude zajištěno využití veškerého jeho majetku, což povede ke zvýšení výnosů. Podle zjištění analýzy z-skóre ITC za posledních pět let trvale hlásilo z-skóre nad 2,99. To lze interpretovat tak, že pro akcionáře je bezrizikové investovat do společnosti a společnost nebude selhávat při plnění svých finančních závazků.

Klíčová slova: Finanční analýza, FMCG průmysl, ITC, Poměrová analýza, Vertikální analýza, Horizontální analýza, Altmanova z-skóre analýza.

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1. Introduction

The definition of finance is the act of making money available when it is needed. Every business, no matter how large, medium-sized, or small, needs money to operate and reach its goals. In fact, money is now considered to be an organization's lifeblood, which is a true statement. Without sufficient funding, no firm could achieve its goals. The management of a company's cash flow is referred to as finance. A judgment calls on how well a company can employ resources from its main line of business to make money. Financial statement analysis primarily focuses on the relationships between the different financial aspects of a company as they are shown by a single set of statements. To better comprehend a firm's positions and performance, it is a method of assessing the relationships between the many component elements of a financial statement. To estimate the future ability to pay interest and debt maturities (both current and long-term), profitability of a sound policy, and significance and meaning of the financial data, financial statements analysis is an attempt to ascertain the significance and meaning of the financial data (R S & Hasan M, 2017). Financial analysis provides the business owner with important knowledge about the company's financial health as well as suggestions on how to improve performance going forward. The two primary information sources for people over a specific period are the balance sheet and income statement. The third information source is a statement of cash flows, which provides a summary of how money is coming into and leaving the organization. These sentences serve as an outline of the process of analysing businesses and other entities involved in finance. Financial analysis is used to determine whether a company is stable and profitable enough for investors to consider investing in it in the future (Ruislip, 2019). Financial statements show a company's financial condition, its transactions, the outcomes of its operations, and changes to the entity's financial situation. The company's decision-makers can determine what to do going forward by analysing these. Assets, liabilities, equity, revenue, and expenses, as well as the company's cash flows, must all be included in the financial statements to achieve this. All businesses must adhere to certain guidelines while creating their annual reports, which are outlined in the International Accounting Standards (Plesco, 2013).

2. Objectives and Methodology

2.1 Objectives

The thesis primarily focuses on analysing the financial position and financial performance of chosen Indian FMCG company i.e., ITC. The financial position will be evaluated using balance sheet of the company whereas financial performance will be assessed using Income statement.

2.2 Methodology

This thesis will be divided into two parts. The first part of the thesis will describe theoretical background regarding the topic which provides information about what is financial analysis, what are financial statements and methods used for financial analysis. It also includes information about selected ratios which will be used for the purpose of analysis. The overview of FMCG industry in India and market size of FMCG industry in India will also be described under theoretical part of the thesis. The information described in theoretical part will be obtained from secondary sources such as journals, periodicals, and websites. The second part of the thesis will be practical part. The practical part includes analysis of financial position and financial performance of ITC which will be done using the vertical and horizontal analysis. Moreover, selected financial ratios will be analysed to evaluate financial position of the company. The data for analysis will be collected from annual reports of the company which covers a period of past five years i.e., from 2017 to 2021. The results gathered from practical part will be discussed under the chapter of result and discussion. Further, the thesis will be concluded based on the results obtained from the analysis.

For the study, five years has been analysed as follows:

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22
Actual Year	2017	2018	2019	2020	2021

Methods of Financial Statement Analysis

In the process of analyzing financial statements, different strategies or approaches may be utilized, some of which include the following (Financial Statement Analysis (FSA) Demistified, n.d.): one. Comparative Statements, 2. Common Size Percentages, 3. Trend Analysis, 4. Ratios Analysis.

Financial statements are generated not just to fulfill the requirements for external reporting but also for the purposes of decision making. They play a preeminent part in establishing the parameters within which managerial decisions are made.

1. Comparative Financial Statements - The type of financial statements known as comparative statements is those that display financial data for two or more periods. Comparative financial statements often provide reports that are comparable for the most recent period as well as one or more periods that came before it. According to Financial Statement Analysis (FSA) Demistified (n.d.), comparative statements have a lot more weight than single-year statements do.

Horizontal analysis - Horizontal analysis, which is also known as base year analysis, is a method that is utilized in the process of evaluating the financial statements of one or more businesses throughout the course of a specific amount of time. The goal of this research is to have a better understanding of the shifts that have taken place within the firm. Over the course of time, either the amount of data that was inputted has grown or it has shrunk. Comparisons made within the company are the primary application for the analysis. Even though there is the potential for some complexity to arise throughout the process of doing a horizontal analysis, it is observed that this type of analysis is uncomplicated. The amounts can change from year to year; for instance, the % change cannot be calculated if the amount for the base year is zero, but some amount does exist for the following year. When the number is positive in one year but negative in the following year, this might be another source of confusion (Bragg, 2017). The horizontal analysis that analysts use is a fantastic instrument for gathering information about the company's acknowledgement over the course of a variety of years. The percentages help provide a clearer picture of how well the company has performed throughout the course of the period in question.

Vertical analysis - Another method that is utilized in the process of analyzing financial statements over a period of time is known as vertical analysis. In this particular instance, years are not compared to one another; rather, diverse data is used as a total quantity, and other items are shown as the proportion that they make up of it. Because it is

conducted independently for every single time period, vertical analysis is considered a static form of analysis (Saxena, 2016). The vertical analysis section of the balance sheet examines the various assets and the contribution that each of those assets makes to the overall assets. In the liabilities section, each data amount is evaluated in relation to the overall amount of liabilities. When performing a vertical analysis of an income statement, you will compare each individual figure to the total amount of sales. When analyzing the cash flow statement, the total cash inflow is used as the benchmark against which each individual item is measured (Lakada et al., 2017). The financial statements of many companies and/or industries are analyzed and compared using vertical analysis. Additionally, it is a helpful tool for analyzing multiple time periods within a single organization. As a result of displaying all of the amounts in vertical analyses as percentages, analysts are better able to comprehend the variations that exist between years and companies.

2. Common-Size Financial Statements - The total assets or the net sales are two examples of constant benchmarks that each item in the common-size statement uses to judge how well it is performing. You can find out how much of each dollar in sales is consumed by costs of products sold and other expenses by looking at a standard-size income statement. In a comparative, common-size statement, comparisons are used to show how groups of assets, liabilities, revenues, and expenses, as well as other types of financial statement components, may change or remain constant over time. When comparing items of this nature, one must exercise caution because the percentage change could be the consequence of a change in the item's absolute quantity, a change in the sum of the group of which the item is a part, or both (Financial Statement Analysis (FSA) Demistified, n.d.). This implies that when calculating the percentage change, both factors must be taken into consideration.

3. Trend Analysis - The outcomes of trend analysis offer insight into an organization's future direction. A base year is chosen, and the numbers from that year are individually given a value of one hundred in order to determine trend percentages. According to Financial Statement Analysis (FSA) Demistified (n.d.), the numbers that are created in succeeding years are expressed as percentages of the numbers that were generated in the base year.

4. Ratio Analysis - A mathematical expression of the relationship between two quantities is a ratio. A ratio can only be helpful if the element that makes up the ratio indicates a substantial relationship. Situations and trends that are frequently difficult to discern when analyzing the individual components of the ratio may be discovered when relationships are analyzed. Typical ratios are fractions that are frequently expressed as times or percentages,

according to Financial Statement Analysis (FSA) Demistified (n.d.). Following are some instances of ratio analysis:

(A) Profitability ratios - Financial indicators called profitability ratios are used to determine an organization's capacity to create profits while simultaneously accounting for its costs. Analysts for the company can analyze ratios between companies as well as between years of the same company to determine the direction the company is trending. The ability of a corporation to make profits through the sale of its products, cash, capital, and number of people is demonstrated by its profitability ratios (Muhammad, 2013).

Net profit - The net profit ratio provides a connection between sales and net profit (after taxes). It calculates the profit per rupee of sales by dividing the net revenue after tax by the net sales for the period (Buvaneswari & Lakshmi, 2015).

The formula of net profit ratio is as follows:

$$\text{Net Profit} = \frac{\text{Net Profit}}{\text{Total Revenue}}$$

Return on Assets - The return on assets is a ratio which is used to evaluate a company's success is called ROA. It is calculated by dividing net profit by total assets. It gauges how well a business uses its resources to turn a profit (Gadoiu, 2014).

The formula of return on asset ratio is as follows:

$$\text{Return on Assets (\%)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Return on Equity - Return on Equity reveals the amount of profit the business generates for each dollar invested in equity. The amount of cash that will be returned to shareholders is not specified by ROE because it depends on the company's decision on dividend payments and how much the stock price rises. Nevertheless, it provides a good indication of whether the business can actually produce a profit that is worth whatever risk the investment may include (Berman et al., 2013). Net profit is often divided by average shareholders' equity to calculate return on equity (ROE).

The formula of return on equity ratio is as follows:

$$\text{Return on Equity (\%)} = \frac{\text{Net Income}}{\text{Total Equity}}$$

(B) Activity ratio - A corporation measures balance sheet statistics using activity ratios. These ratios help analysts understand what drives a company's increase in revenue or cash flow. These ratios are also a good indicator of how well a company's managers are using it to produce revenues (Peterson Drake, 2018).

Asset turnover ratio - Total sales divided by average total assets is the asset turnover. The ratio increases and becomes more positive as the base value increases. Although it is said that this ratio must have a minimum value of 1, it frequently distinguishes between different industries. The business is more inefficient on the asset segment the lower the value of the ratio (Baran et al., 2016).

The formula of total asset turnover ratio is as follows:

$$\text{Total Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Inventory turnover ratio - A ratio that demonstrates the frequency with which a company's inventory is sold and replenished over time. The days it takes to sell the inventory on hand, or "inventory turnover days," can then be determined by dividing the number of days in the period by the inventory turnover formula (Bansal, 2014).

The formula of inventory turnover ratio is as follows:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Sales}}{\text{Inventory Cost}}$$

Receivable turnover ratio - The ability of a business to collect liabilities and debts is measured by the receivable turnover ratio. It aids investors in evaluating the effectiveness of a company's credit and collection procedures. A high ratio value denotes an effective and efficient credit policy, whereas a low ratio denotes a problem with debt collection (Receivables Turnover Ratio Definition, n.d.).

The formula of receivables turnover ratio is as follows:

$$\begin{aligned} &\text{Receivables Turnover Ratio} \\ &= \frac{\text{Net Sales}}{\text{Total Account Receivables} + \text{Vendor non-trade receivables}} \end{aligned}$$

(C) Liquidity ratios - The ability of the company to fulfill and pay off short-term obligations is referred to as liquidity, also known as short-term solvency. The capacity or inability to satisfy these short-term obligations has an impact on any company's creditability. Regular business default would end in commercial bankruptcy, which might then lead to illness and dissolution (Kakati & Roy, 2017).

Current ratio - Solvency in the short term is assessed using the current ratio. The debts that must be paid off within a year are called current liabilities, and they are the most urgent. The source of the instantaneous cash would be current assets (Tugas & Rosario, 2012).

The formula of current ratio is as follows:

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

Quick ratio - With the exception of using inventories, the quick ratio rate measures short-run solvency as well. As a result, current assets are the least liquid and are therefore most likely to be the cause of losses (Muhammad, 2013).

The formula of quick ratio is as follows:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

Cash ratio - The company's ability to cover its current liabilities is shown by the cash ratio. The optimal cash ratio is 0.2, which means that there should be 0.2 in cash for every rupee that the company owes its creditors in the following year (Wohlner, 2018).

The formula of cash ratio is as follows:

$$\text{Cash Ratio} = \frac{\text{Investments} + \text{Cash \& Cash equivalents}}{\text{Total Current Liabilities}}$$

(D) Solvency ratios - Long-term or Solvency refers to a company's capacity to fulfil and settle long-term obligations when they become due. As their interests and demands are satisfied overall by the firm, stakeholders like long-term creditors are primarily concerned with the long-term solvency of the company (Kakati & Roy, 2017).

Debt to equity ratio - The ratio of total liabilities to shareholder equity is known as the debt-to-equity ratio. It evaluates the business's overall financial health and its use of various funding sources for expansion (Muhammad, 2013).

The formula of debt to equity ratio is as follows:

$$\text{Debt to Equity} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Debt to capital ratio - The debt to capital ratio is a measure of financial leverage that compares equity to interest-bearing debt (Hargrave, 2019).

The formula of debt to capital ratio is as follows:

$$\text{Debt to Capital} = \frac{\text{Total Debt}}{\text{Total Debt} + \text{Shareholder's Equity}}$$

Debt to asset ratio - The total debt to total assets ratio, often known as the debt to asset ratio, is a measure of a company's financial leverage. The debt to asset ratio evaluates a company's assets as compared to its obligations (debts), not its equity. This ratio can be used to gauge a company's growth over time as a result of its asset acquisitions. Investors can examine an organization's ability to pay returns on investments and determine whether it has sufficient funds to meet its debt obligations using the debt to asset ratio (How to Calculate and Interpret Your Debt to Asset Ratio, n.d.).

The formula of debt to asset ratio is as follows:

$$\text{Debt to Asset} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Interest coverage ratio - Earnings before interest and taxes (EBIT) divided by interest expense yields the interest coverage ratio. This ratio is used to evaluate how effectively a company is repaying its debt-related interest (Kenton, 2019).

The formula of interest coverage ratio is as follows:

$$\text{Interest coverage} = \frac{\text{EBIT}}{\text{Total Interest Payments}}$$

Financial Distress - Several scenarios in which businesses have financial hardship fall under the umbrella term of "financial distress" (Geng et al., 2015). These circumstances are most frequently described using the words "bankruptcy," "failure," "insolvency," and "default." Financial distress, according to Hillier et al. (2010), occurs when a company's operating cash flows are insufficient to cover its present obligations, forcing it to take corrective action. They also claim that it is difficult to identify financial distress properly, in part because of a variety of occurrences such as dividend cuts, plant closures, job losses, layoffs, CEO resignations, and falling stock prices, among other things. In addition, Hillier et al. (2010) talked about how financial distress and insolvency can be partly related. There are typically two primary choices for bankruptcy: liquidation or reorganization. Therefore, filing for bankruptcy does not always result in the company's demise; instead, businesses may be divided up, sold to a different party, or reformed.

Altman's Z-score Model of Bankruptcy Prediction - The financial model, known as Altman's Z score model, was created in 1967 by Edward Altman, a finance professor at the Leonard N. Stern School of Business at New York University, to estimate the risk that a firm will file for bankruptcy. Altman's Z score plus model, which he later released in 2012, may be used to assess both manufacturing and non-manufacturing organizations as well as public and private companies in both the United States and other countries. If investors are concerned about the organization's financial stability, they can use this model to decide whether to purchase or sell a specific stock. Risk associated with business credit can be assessed using the Altman Z score plus (Joshi, 2019).

The Z-score formula for the manufacturing companies is (C, 2016):

$$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1X5$$

Where:

X1 = Working Capital / Total Assets.

X2 = Retained Earnings / Total Assets.

X3 = Earnings Before Interest and Taxes / Total Assets.

X4 = Market Value of Equity / Book Value of Total Liabilities.

X5 = Sales / Total Assets.

Working capital / Total assets ratio (X1): This ratio assesses the firm's liquidity in relation to capitalization, or the working capital or net current assets of a corporation as a share of total assets. Working Capital, which is current assets minus current liabilities, aids stakeholders in determining how much capital are needed to run a business on a daily basis and how much capital is locked up in working capital (Joshi, 2019).

Retained Earnings / Total Assets (X2): This ratio gauges the company's capacity to build up profits using its resources. Most analysts and investors favor a greater Retained Earning to Total Assets ratio since it shows that the company is able to keep more earnings. Ideal ratios for retained earnings to total assets are 1:1 or 100%. (Joshi, 2019).

Earnings before interest and Taxes / Total Assets (X3): In contrast to the Return on Assets (ROA) ratio, which uses Net Earnings, this ratio uses Earnings before Interest and Tax (EBIT). This ratio assesses operational effectiveness (all profits before considering interest payments and income taxes). This ratio assesses the productivity of a company's assets and is unaffected by indebtedness or any tax obligations. Many investors and analysts view this ratio as the indicator of a company's ability to generate income from its assets (Joshi, 2019).

Market value of equity / Book value of total liabilities (X4): This ratio gauges a company's long-term viability, or how much its market value would drop before liabilities exceeded assets, if that were to occur. The Z-score calculation only uses this ratio as a forward-looking ratio. This is the opposite of the well-known debt-to-equity ratio, often known as the total debt-to-total equity market value ratio or the total liabilities-to-market capitalization ratio (Joshi, 2019).

Sales/Total Assets (X5): This ratio, often known as an asset's turnover ratio, calculates how much revenue a company generates using its assets. This ratio focuses on the assets' and management's ability to generate sales, hence the larger the ratio, the better (Joshi, 2019).

While,

$Z > 2.99$ is regarded as being in "Safe Zones."

$1.81 < Z < 2.99$ are considered in "Grey Zones".

$Z < 1.81$ are referred to as "Distress Zones."

With a Type II error (false negatives) of 6%, the Altman Z-Score was shown to be 72% accurate in its initial test in forecasting bankruptcy two years in advance. The model was found to be about 80%-90% accurate in predicting bankruptcy one year before the event in a series of subsequent tests covering three periods over the following 31 years (up until 1999), with a Type II error (classifying the firm as bankrupt when it does not go bankrupt) of about 15%–20%. (C, 2016).

The Z-scores received widespread recognition from about 1985 onwards by auditors, management accountants, courts, and database systems used for loan appraisal (Eidleman). Although it was initially intended for publicly held manufacturing enterprises with assets of more than \$1 million, the formula's methodology has been applied in a number of settings and nations. Later variations by Altman were designed to be applicable to privately held companies (the Altman Z'-Score) and non-manufacturing companies (the Altman Z"-Score) (C, 2016).

It is not advised to utilize the Altman models or any other balance sheet-based models with financial companies. This is a result of the financial industry's use of off-balance sheet items often and the opaqueness of their balance sheets. There are algorithms that use market data (changes in share and option prices to infer fluctuations in asset values) to forecast market events (default, which is the decrease in asset values below the value of a firm's obligations), but these have limited predictive ability (C, 2016).

The Z-score formula for the private firms is (Joshi, 2019):

$$Z = 0.717X1 + 0.847X2 + 3.107X3 + 0.420X4 + 0.998X5$$

Where:

X1 = Working Capital / Total Assets. (Measures liquid assets in relation to the size of the company)

X2 = Retained Earnings / Total Assets. (Measures profitability that reflects the company's age and earning power)

X3 = Earnings Before Interest and Taxes / Total Assets. (Measures operating efficiency apart from tax and leveraging factors. It recognizes operating earnings as being important to long-term viability.)

X4 = Book Value of Equity / Total Liabilities. (Adds market dimension that can show up security price fluctuation as a possible red flag.)

X5 = Sales/ Total Assets. (Standard measure for total asset turnover)

While,

$Z > 2.9$ is regarded as being in "Safe Zones."

$1.23 < Z < 2.9$ are considered in "Grey Zones".

$Z < 1.23$ are referred to as "Distress Zones."

The Z-score formula for the non-manufacturing firms is (Joshi, 2019):

$$Z = 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$$

Where:

$X1 = \text{Working Capital} / \text{Total Assets}.$

$X2 = \text{Retained Earnings} / \text{Total Assets}.$

$X3 = \text{Earnings Before Interest and Taxes} / \text{Total Assets}.$

$X4 = \text{Book Value of Equity} / \text{Total Liabilities}.$

While,

$Z > 2.6$ is regarded as being in "Safe Zones."

$1.1 < Z < 2.6$ are considered in "Grey Zones".

$Z < 1.1$ are referred to as "Distress Zones."

The Z-score formula for the non-manufacturing and emerging markets is (Joshi, 2019):

$$Z = 3.25 + 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$$

Where:

$X1 = \text{Working Capital} / \text{Total Assets}.$

$X2 = \text{Retained Earnings} / \text{Total Assets}.$

$X3 = \text{Earnings Before Interest and Taxes} / \text{Total Assets}.$

$X4 = \text{Book Value of Equity} / \text{Total Liabilities}.$

While,

$Z > 2.6$ is regarded as being in "Safe Zones."

$1.1 < Z < 2.6$ are considered in "Grey Zones".

$Z < 1.1$ are referred to as "Distress Zones."

3. Literature Review

3.1 Financial Analysis

Financial analysis is the process of assessing organizations, ventures, or initiatives in terms of their budgeting and other financial components. This evaluation is done to establish whether these organizations are suitable for investment based on their financial statements. Financial analysis is frequently used to evaluate an institution's strength, capacity to repay debts, liquidity, and profitability. Financial analysis frequently concentrates on the cash flow, balance sheet, and profit and loss account, which, based on the firm's historical performance, forecasts its future success (Kumar & Bhatia, 2014).

Financial analysis is the process of assessing a company's profitability, efficiency, stability, solvency, and future potential using the financial data it has collected. The company's financial statements, earnings announcements, market data, etc. are included in the financial information. The financial accounts of a corporation are the primary focus of financial analysis (Undral, 2018).

Financial analysis is used to assess economic trends, establish financial guidelines, create long-term corporate activity plans, and pinpoint potential investment opportunities. Financial analysis can be used to determine a company's strengths and weaknesses, operational effectiveness, and present financial status. We can prepare for both the near and long term financially based on such information and make reasonable predictions about the organization. Knowing where you are right now is a critical prerequisite for thinking about where you might be in the future, according to Brealey et al. (2011). Therefore, financial analysis serves two purposes: first, to understand the company's current state, and second, to inform decisions that will be made in the future (Undral, 2018).

The most often performed analyses are ratio, horizontal, and vertical analyses. The outcomes of the financial analysis should be contrasted with those of the company's competitors, the industry averages, and its own historical performance. So, it is possible to determine whether the business is doing well or not (Undral, 2018).

3.2 Financial Statement

If choices from a collection of identified options are to be made in a realistic manner, records of financial transactions, events, and performances of a company serve as a yardstick. The firm's financial state, the effects of management decisions on the firm's profitability, and other critical information were all published in the Financial Statement. To make the best decisions, a variety of Financial Statement users, including proprietors/owners, domestic and international investors, trade creditors, lending house management, etc., must examine FSs. Ige and Adewumi (2020) contend that the financial statements contain the micro-determinants of a firm's profitability, making the financial statements the best medium for communicating the firm's profitability index and financial situation to interested users who are both insiders and outsiders of the organization.

The financial statement, which gives concise financial transactions for the time after the fiscal year is through, is a summary report of the company's financial transactions, status, and accounting methods for a 12-month accounting period. Financial Statements include a disclosure of a company's profit or loss for the period covered as well as its financial situation at that time. Financial Statements are the year-end accounting records created to communicate a company's profit or loss, financial situation, and cash flow position as of a specific date. Financial Statement data shows the company's previous and present financial actions.

Mercy (2014) defines a financial statement as a calculation statement that periodically assesses the firm's financial health for a disclosed period. Financial statements include a cash flow statement that depicts the movement of liquidity, a balance sheet that details the firm's financial situation, and a statement of income that depicts profit or loss and its appropriation, including retained profit transfer to revenue reserve. Financial Statement is a document that discloses the equity, assets, liabilities, income, and costs of a corporation to enable the interested party to assess the firm's financial health, according to Academic of Organization Dictionary.

Financial statement analysis (FSA) is a procedure that looks at previous and present financial data to assess performance and gauge possibilities and potential dangers in the future. Financial statements (FSs), in accordance with Auwalu and Ibrahim (2017), provide information on the financial position, performance, and changes of a company to investors, regulators, financial analysts, and other users in a standardized and accurate form for use in

making economic decisions. Potential investors, owners, creditors, security analysts, leading houses, managers, government regulatory agencies and tax authorities, trade unions, clients, and a wide range of other stakeholders who rely on financial data for making both financial and economic decisions about a firm use the Financial Stability Analysis (FSA).

A financial statement is a summary that explains or presents a picture of the financial situation, business performance, and/or operations of a company during a specific time period (Atrill & McLaney, 2015). A corporation must create a complete set of financial statements that adhere to regulatory requirements and should be accurate in accordance with accepted accounting standards (GAAP). Statements of retained earnings, cash flows, and the statement of financial position are all components of a complete set of financial reports (balance sheet). An effective financial statement should include information that is simple to read and comprehend (Collins Suh, 2017).

Companies can better analyze results and prepare for a more lucrative future by presenting financial statements in a clear and professional manner. Growth in a business refers to a company utilizing its own resources and assets to develop its business. The organization's financial statements have an impact on this growth as well. A financial statement, on the other hand, is a condensed report that shows an organization's operating statistics throughout the course of a given period or its financial standing at that time (Benedict & Elliott, 2011).

Internal accountants of a corporation, who are directly influenced by the management of the company, typically prepare financial statements. Financial statement data is used by businesses to guide some choices. Therefore, a false or inaccurate financial statement suggests a risk possibility that may result in a company making poor investment choices. Generally Accepted Accounting Principles (GAAP), which are outlined in the Law on Accounting and the Law on Financial Statements, or International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which are published by the International Accounting Standards Board, are used to prepare financial statements for businesses. Since they are not all enforced simultaneously, businesses pick one of them to report under. Investment decisions can be defined as the determination of when and how much capital can be spent on investment possibilities by directors or management bodies. The choice is frequently made after studying financial statements (Collins Suh, 2017).

3.3 Goals of Financial Statements

The results of managerial operations are the financial statements of a company or corporation. The financial statement's information is the product of the accounting process and procedures. Financial statements show the public a company's solvency and profitability. According to Abdulrahim Olayinka (2022), the Financial Statement's main objectives are as follows:

- To provide the necessary financial information about the company to broader audience.
- To produce information that will be helpful while making financial decisions.
- To provide information about the firm's profitability, stability, solvency, etc.
- To assist in assessing managerial effectiveness and business financial stability.

3.4 Features of Financial Statement

According to Ramachandran et al. (2019), financial statements have the qualities listed below:

- Money is always used to express financial statements. They disregard the finer points. To put it another way, non-monetary occurrences are not covered by financial statements.
- Always, financial statements are created for a specific period. They often cover a year's worth of time.
- Financial statements always reflect past performance, making them historical in nature. As a result, they lack a futuristic perspective.

3.5 Users of Financial Statement

Accounting was created to give decision-makers access to financial data regarding economic activity. The usefulness of a financial report is based on how well it satisfies the demands of its users. It was concerned with calculating the amount of money spent on acquiring other resources, how those resources were transformed into goods and services, and how much those goods and services cost customers (Jonasi, 2014).

According to Jonasi (2014), the following individuals used financial statements:

- **Owners and managers** - Owners look at the financial performance and position of the company to determine exactly what they get back from their investments. Since they made the company's decisions, the managers were equally interested in this financial report.
- **Investors** - Financial reports assist investors in determining whether they are interested in investing as well as the risk and return they may expect from their investments.
- **Suppliers** - These were the individuals supplying the company with goods and services in exchange for credit. They were therefore interested in financial reports to determine whether the organization they were providing temporary financial support to meet their requirements and what condition they were in.
- **Employees** - These people worked for the company and were expected to receive their salaries and pay. They were curious about the security of their jobs. Those who were giving an enterprise financial support, such as banks, etc. The general public, which includes taxpaying citizens, shoppers, and other local and special interest organizations including political parties, organizations that protect the environment, and local pressure groups. The government, with its various regulatory agencies, including tax authorities, departments, and organizations charged with overseeing business and industry, as well as municipal authorities.

3.6 Components of Financial Statement

1. Cash Flow Statement (CFS) - The statement of cash flows, which is also known as the statement of fund flows, provides useful data for making investment decisions. It displays the firm's solvency and the net change in its liquidity status over a specific period. Stable or increasing cash flow demonstrates the company's stability and ability to pay short-term debts, expenses, and long-term debt commitments on time. The cash flow structure also reveals how much cash is produced by operating operations in relation to finance and investment resources. A favorable solvency scenario for the company is one in which operating profit cash flow exceeds net income. The proportionate quantity of assets in cash or that can be swiftly converted into cash, available to satisfy short-term liabilities, is shown by a company's effective liquidity status, which is often pleasing to investors. Effective liquidity is a sign that the company is less likely to experience loan defaults or go out of

business. Cash and bank balances, debtors, and marketable securities make up liquid assets (Abdulrahim Olayinka, 2022).

The cash statement is another element to consider when determining a company's value. The cash flow into and out of the business account is depicted in this statement. Actual account payable, payroll, and revenue deposits and payments are shown here. If a company is short on cash yet has enough revenue and assets to cover operating costs, it may have an issue with accounts receivable or require debt refinancing. On the other hand, a corporate statement that shows an excessive amount of cash may mean that the company is not investing enough money in its activities. Consequently, completing calculations on operational, investment, and financing operations utilizing the cash flow statement. The discussion of operating, investing, and financing activities is thus brought up (Collins Suh, 2017).

Operating activities - It shows the flow of cash from a company's main operations and short-term operations, which are represented by its current assets and current liabilities. This section assesses a company's net profits and losses. All income from non-cash things is evaluated along with sales and business expenses to account for cash inflows and outflows and arrive at a net amount (Collins Suh, 2017).

Investing activities - This section summarizes the cash flow from the acquisition and selling of items as well as the purchases and sells of long-term corporate investments including real estate, equipment, and securities. Investment growth signifies a cash outflow (use of funds) whereas investment declines indicate a cash inflow (Collins Suh, 2017).

Financing activities - It represents cash flow generated or spend on raising share capital and debt together with the payment of interest and dividends. It also accounts for all money that is related to financing your business. For example, if you received a loan from your organization, the loan itself will be considered as an inflow of cash. Loan repayment will be considered as an out flow of cash, and both will be recorded in this part of the cash flow analysis statement making cash flow projections and computing cash flow statement can be confusion if you have never managed these types of finances before (Collins Suh, 2017).

2. Statement of Comprehensive Income (SCI) - Statement of profit and loss is another name for the statement of comprehensive income. This statement detailed the profit or loss a company made over the course of a specific accounting period. The statement included financial information for calculating gross profit, information on operating and

non-operating income, and information on other unique sources of revenue and expense. The difference between total revenue and the entire cost of producing the items or providing the services that a business trades, also known as the cost of goods sold, is the basis for calculating gross profit. SCI provides information on the firm's overall profitability as well as the effectiveness with which it makes money from its trading activity. On the other hand, net profit or operational profit includes a variety of other running costs and expenses in the calculations in addition to the cost of the goods sold, such as depreciation on machinery and equipment and other overhead costs. This is essential for determining the firm's actual profitability, especially when compared to the firm's SCI for earlier periods or to the SCI of other enterprises operating in similar industries and environments. An increase in operational profit is a sign that the company is becoming more profitable and relevant (Abdulrahim Olayinka, 2022).

The reader may see in the income statement how much money the company brought in and spent over a specific time period, typically a month, quarter, or year. The business's margin can be calculated by deducting all costs from all revenues. Higher margins are preferable since they allow the company to spend less while keeping more of its sales as profit. It is advisable to examine income statements from multiple related years because they show the direction that the company is moving in. As a result, the following questions about income statements are frequently asked (Collins Suh, 2014):

- Are margins expanding or contracting?
- Does revenue increase in step with expenses, or do just expenses increase while revenues stay the same? Reading the income statements provides the answers to all of these queries.

3. Statements of Financial Position (SFP) - The basic accounting equation is used to construct this section of the financial statement, referred to as the balance sheet (Total assets reflect Total Owners' Equity and Total Liabilities). The equity or net worth of a company is defined as the sum of the value of the whole assets and the total liabilities. If, when represented as a percentage of total assets, the owners' equity is higher and when compared to prior performance data with comparable businesses in the same industry. A company with a high net worth may be debt-free, and the SFP can be used to calculate the extent to which unsecured creditors are shielded from loss in the case of the firm's dissolution (Abdulrahim Olayinka, 2022).

Although the revenue statement is crucial to comprehending the company, it lacks the details required for a complete examination. The balance sheet gives readers information on the amount of debt owed by the company as well as the market value of assets like real estate. Even though a company's revenue is strong and growing, the income statement may not clearly show the impact of debt burdens or a large number of unpaid invoices from clients. But the balance sheet will show that clearly. Instead, a company with sizable real estate or other assets that are not capitalized on the income statement will show up here; for instance, if the company has its own building, land, or plant, these values will be shown on the balance sheet. The balance sheet therefore includes the following (Collins Suh, 2017): Assets: Describe the item that belongs to the company. Liabilities are debts that a company owes to its owners and are represented by the capital that is left over after assets are sold to settle overdue accounts. Equity is therefore equal to the gap between assets and liabilities. That is: $\text{Assets} - \text{liability} = \text{equity}$

4. Statement of Owners' Equity (SOE) - This declaration separates the balance sheet's owner's equity part. The main goal of SOE is to reveal the firm's prospective and actual growth, as well as the trajectory of its reserves and retained earnings. The retained earnings and reserves consist of accumulated gains that have not been distributed as dividends. Since the smaller the dividend income received, the bigger the revenue reserve and retained profits of the current accounting year ending compared to the currently planned dividends, the data presented in the SOE is helpful in earnings management and other investment-related decisions. This can be translated to mean that the company is keeping its cash reserves and profits for future investments rather than disbursing them as they are earned (Abdulrahim Olayinka, 2022).

The statement of retained earnings, sometimes referred to as the equity statement, is the final major financial statement. It displays changes in owners' equity over time, which are mostly based on the number of shares issued by the company and its yearly reported net profit and loss. The first two financial statements are often used by most firms when choosing investments. Thus, the only way they can make a sane investment decision is by looking at the financial statements (Collins Suh, 2017).

3.7 Introduction of FMCG Sector in India

The fourth-largest industry in India is fast-moving consumer goods (FMCG), with 50% of revenues in this industry coming from domestic and personal care products. The primary growth factors for the industry have been greater awareness, better access, and shifting lifestyles. The largest contributor to the entire revenue produced by the FMCG sector in India (which accounts for a revenue share of about 55%) is the urban segment. However, compared to urban India, the FMCG market has risen more quickly in rural India during the past few years. The semi-urban and rural populations are expanding quickly, and 50% of all rural expenditure is on FMCG products.

Market size - According to estimates, India's retail market would rise from US\$ 840 billion in 2017 to US\$ 1.1 trillion by 2020, with contemporary trade predicted to grow at a rate of 20–25% annually, which will increase FMCG businesses' profits. From US\$ 110 billion in 2020, the FMCG market in India is projected to grow at a CAGR of 14.9% to US\$ 220 billion by 2025. Despite widespread lockdowns, the Indian FMCG business increased by 16% in CY21, a 9-year high, thanks to consumer-driven growth and value expansion from higher product prices, especially for basics (FMCG Market, FMCG industry in India - IBEF, 2022).

The market for processed foods in India is anticipated to grow from US\$ 263 billion in 2019 to US\$ 470 billion by 2025. Due to several government programmes (such as packaged staples and hygiene categories); high agricultural produce; reverse migration; and a lower unemployment rate, FMCG saw a double-digit growth rebound of 10.6% in rural India in the third quarter of FY20. Rural consumption growth will fuel the FMCG market (FMCG Market, FMCG industry in India - IBEF, 2022).

FMCG behemoths that have long controlled the Indian market, such as Johnson & Johnson, Himalaya, Hindustan Unilever, ITC, Lakmé, and others are now facing off against D2C-focused start-ups like Mamaearth, The Moms Co., Bey Bee, Azah, Nua, and Pee Safe. Market behemoths like Revlon and Lotus required 20 years or more to reach the Rs. One hundred crore (US\$ 13.4 million) revenue threshold, whereas more modern D2C businesses like Mamaearth and Sugar took 4 or 8 years to reach that milestone (FMCG Market, FMCG industry in India - IBEF, 2022).

The quarter between July and September saw a substantial increase in the amount of television advertising, totaling 461 million seconds—the most since 2021. With a 29%

increase in ad volumes during the same period in 2019, FMCG maintained its top spot. Even the e-commerce industry demonstrated a strong 26% increase from 2020. (FMCG Market, FMCG industry in India - IBEF, 2022).

Investments for development of FMCG Industry - The government has permitted 51% of foreign direct investment (FDI) in multi-brand retail and 100% of FDI in food processing. As a result, consumer spending would increase and there would be more product releases. This would also improve employment, the supply chain, and high visibility for FMCG brands across organized retail markets. From April 2000 to March 2022, the sector saw healthy FDI inflows of US\$20.11 billion. Following are a few recent changes in the FMCG industry (according to FMCG Market, FMCG industry in India - IBEF, 2022):

- PepsiCo India announced in June 2022 that it would invest US\$23.84 million (about Rs. 186 crore) to expand its largest greenfield food production facility, which makes the well-known Lay's potato chips in Kosi Kalan, Mathura, Uttar Pradesh.
- Dabur India announced intentions to integrate a fleet of one hundred electric vehicles for last-mile product distribution into their supply chain in April 2022.
- Emami purchased Dermicool from Reckitt in March 2022 for Rs. 432 crore (US\$ 55.37 million).
- In February 2022, energy provider Indian Oil and Dabur India entered into an exclusive relationship that will offer Dabur's goods direct access to almost 140 million Indane LPG user households in India.
- Three months ahead of schedule, Dabur India collected, processed, and recycled about 22,000MT of post-consumer plastic in February 2022.
- Marico Ltd. declared goals to attain net-zero emissions in its global activities by 2040 in February 2022.
- For a financial payment of Rs. 395 crore (US\$ 53.13 million), Tata Consumer Products (TCPL) and Tata Industries Limited signed binding agreements in November 2021 to buy 100% of the equity interests of Tata Smart Foodz Limited (TSFL) from them, respectively. This action was consistent with TCPL's strategy goal of diversifying into value-added areas.
- Unilever Plc has decided to sell its global tea business to CVC Capital Partners in November 2021 for a price of EUR 4.5 billion (US\$ 5.1 billion). Ekaterra, the company that is being sold, is home to thirty-four different tea brands, including Lipton, PG Tips, Pukka Herbs, and TAZO.

- McDonald's India teamed with FMCG business ITC in November 2021 to introduce a unique fruit beverage, B Natural, to its Happy Meal. This beverage will be offered at all McDonald's outlets in South and West India, particularly serving children between the ages of 3 and 12.
- Procter & Gamble declared an investment of Rs. Five hundred crore (US\$ 66.8 million) in rural India in October 2021.
- Indian tea company Vahdam India raised US\$ 24 million (Rs. 174 crore) in September 2021 as part of its Series D round, which was sponsored by IIFL AMC's Private Equity Fund.
- By introducing skin and haircare goods in September 2021, the RP-Sanjiv Goenka Group joined the personal care market with an eye toward generating revenues of between Rs. 400 and 500 crore (US\$ 53.84 and 67.30 million) over the following 4-5 years.
- Adani Wilmar announced in September 2021 the launch of physical stores with the name "Fortune Mart" that will sell only goods under the Fortune and other Adani Wilmar brand names.
- Apnaklub, a B2B wholesale marketplace for consumer goods situated in Bengaluru, raised US\$ 3.5 million in a seed round from Sequoia Capital India's Surge in August 2021, bringing the total funds collected to US\$ 5 million.
- E-commerce sales from Marico Ltd., Hindustan Unilever Ltd., Dabur India, ITC, and Godrej Consumer Products Ltd. made up, respectively, 8%, 6%, 5%, 5%, and 4% of all FMCG sales in the fourth quarter of FY21.
- The metro markets had positive growth after two quarters, while the rural market saw an increase of 14.6% in the same period. Over the period 2015 to 20, final consumer spending grew at a CAGR of 5.2%.
- Real household expenditure is anticipated to rise 9.1% YoY in 2021 after declining >9.3% in 2020 as a result of the pandemic's economic effects, according to Fitch Solutions.
- According to CRISIL Ratings, the FMCG sector's sales growth would double from 5-6% in FY21 to 10-12% in FY22.

Government initiatives for FMCG Industry - The following are some of the key actions the government has done to advance the FMCG industry in India (FMCG Market, FMCG industry in India - IBEF, 2022):

- According to the Union Budget 2022–23, the Department of Consumer Affairs has been given a budget of Rs. 1,725 crore (US\$ 222.19 million).
- The Department of Food and Public Distribution has been given a budget of Rs. 215,960 crore (US\$27.82 billion).
- To promote Indian food product names on global markets, the government approved the Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) in FY 2021–2022, with a budget of Rs. 10,900 crore (US\$ 1.4 billion).
- With an investment of US\$1.42 billion, the government's production-linked incentive (PLI) scheme offers businesses a significant chance to increase exports.
- Flipkart and the Ministry of Rural Development of the Government of India (MoRD) signed a Memorandum of Understanding (MoU) in November 2021 for the ambitious Deendayal Antyodaya Yojana - National Rural Livelihood Mission (DAY-NRLM) programme, which aims to strengthen local businesses and self-help groups (SHGs) by integrating them into the e-commerce space.
- Businesses hope to increase their presence in rural India as a result of recent budget announcements such as the direct transfer of 2.37 lakh crore (US\$ 30.93 billion) in minimum support payment (MSP) to wheat and paddy farmers and the integration of 150,000 post offices into the core banking system.
- The cash and carry industry, single-brand retail, and 51% of FDI in multi-brand retail have all received government approval in India.
- The Government has created a new Consumer Protection Bill with a focus on creating a comprehensive process to guarantee that consumers will receive justice in a way that is easy, quick, accessible, affordable, and timely.
- The FMCG industry benefits from the Goods and Services Tax (GST), as many FMCG items, such as soap, toothpaste, and hair oil, now fall into the 18% tax bracket rather than the previous rate of 23-24%. Additionally, the GST rates on hygiene and food products have been lowered to 0-5% and 12-18%, respectively.
- Given that all major firms are expanding their operations into greater coordination and warehousing, GST is anticipated to convert coordination in the FMCG sector into a modern and effective model.
- Future of FMCG industry in India
- Rural consumption has increased, led by a combination of increasing income and higher aspiration levels. There is an increased demand for branded products in rural

India. On the other hand, with the share of unorganized market in the FMCG sector falling, the organized sector growth is expected to rise with increased level of brand consciousness, augmented by the growth in modern retail (FMCG Market, FMCG industry in India - IBEF, 2022).

- Another major factor propelling the demand for food services in India is the growing youth population, primarily in urban regions. India has a large base of young consumers who form majority of the workforce, and due to time constraints, barely get time for cooking (FMCG Market, FMCG industry in India - IBEF, 2022).
- Online portals are expected to play a key role for companies trying to enter the hinterlands. Internet has contributed in a big way, facilitating a cheaper and more convenient mode to increase a company's reach. The number of internet users in India is likely to reach one billion by 2025. It is estimated that 40% of all FMCG consumption in India will be made online by 2020. E-commerce share of total FMCG sales is expected to increase by 11% by 2030 (FMCG Market, FMCG industry in India - IBEF, 2022).
- It is estimated that India will gain US\$ 15 billion a year by implementing GST. GST and demonetization are expected to drive demand, both in the rural and urban areas, and economic growth in a structured manner in the long term and improved performance of companies within the sector (FMCG Market, FMCG industry in India - IBEF, 2022).

4. Data Analysis

In this part of thesis, the balance sheet and profit and loss statement of company is analysed for a period of five years ranging from 2017 to 2021. The horizontal analysis, vertical analysis and ratio analysis have been performed with a view to analyse financial position and performance of company. The Altman z-score model is also computed for assessing the creditworthiness of Indian Tobacco Company.

4.1 About Indian Tobacco Company

ITC is one of the most successful companies in India's private sector and a diversified conglomerate with operations spanning a variety of industries, including fast-moving consumer goods, hotels, paperboards and packaging, agricultural business, and information technology. With a total gross sales value of 90,104 crores and a total net profit of 15,058 crores, the Company is widely recognized as being among the most valuable company corporations in India (as on 31.03.2022). According to the results of a survey that was conducted by Fortune India in collaboration with Hay Group, ITC came out on top as the most admired company in India (ITC Ltd has diversified presence in FMCG, Hotels, Paperboards & Packaging, Agri-business, and IT, n.d.).

ITC is the leading FMCG marketer in the country, the undisputed dominant player in the Indian Paperboard and Packaging industry, a globally recognized pioneer in farmer empowerment through its extensive Agri Business, and the most prominent hotel chain in India that is a pioneer in 'Responsible Luxury.' ITC Infotech is a leading provider of specialized digital solutions on a global scale. It is an owned subsidiary of ITC (ITC Ltd has diversified presence in FMCG, Hotels, Paperboards & Packaging, Agri-business, and IT, n.d.).

ITC's new Consumer Goods Businesses have developed a thriving portfolio of twenty-five Indigenous brands that are of world-class standard over the course of the past ten years. These brands both generate and keep value in India. ITC's world-class FMCG brands, such as Aashirvaad, SunFest, Yippee! Bingo! B Natural, ITC Master Chef, Fabelle, Sunbean, Fiama, Engage, Vivel, Savlon, Classmate, Paperkraft, Mangaldeep, and Aim, amongst others, have garnered an encouraging consumer franchise in a relatively short

period of time. There are a few of these brands that dominate their respective market segments, but the others are making significant headway as well.

The ability of ITC's diverse businesses to compete successfully is based on the firm foundations of its institutional strengths, which are derived from its in-depth consumer insights, innovative Research & Development, differentiated product development capacity, brand-building capability, world-class manufacturing infrastructure, extensive rural linkages, efficient trade marketing and distribution network, and dedicated human resources. These strengths allow ITC to leverage the internal synergies that exist across its many different businesses provides a source of competitive advantage that is unmatched by any other company's products or services (ITC Ltd has diversified presence in FMCG, Hotels, Paperboards & Packaging, Agri-business, and IT, n.d.).

ITC's "Nation First: Sab Saath Badhein" philosophy highlights the company's fundamental belief in the importance of creating an Indigenous business that is not only globally competitive but also profitable, and that also tends to make an exemplary contribution to the process of developing larger societal value. ITC is motivated by the possibility of contributing to larger national priorities because it is a business that is deeply rooted in the soil of India. ITC is the only company on the planet of comparable dimensions that is carbon-positive, water-positive, and solid recycling and reuse positive, and it has been in this position for more than a decade at this point, making it a global model for sustainability. ITC is responsible for the creation of over six million jobs that are sustainable. ITC uses 42 percent of its total energy needs to be met by energy derived from renewable sources. The exclusive distinction of being LEED Platinum certified is held by all of ITC's most upscale and luxurious hotels (ITC Ltd has diversified presence in FMCG, Hotels, Paperboards & Packaging, Agri-business, and IT, n.d.).

ITC's Well-being Out of Waste programme (WOW), which provides a comprehensive, sustainable, and scalable solution that has already reached over 1.8 crores citizens across the country, comprehensively addresses the issue of solid waste management, of which plastic waste is a significant component. This program's goal is to improve the well-being of all citizens in the country.

ITC has implemented large-scale intervention strategies in climate-smart and sustainable agriculture, in collaboration with farmers and local communities. These

interventions make a meaningful contribution to the vision of doubling farmer incomes held by the Honorable Prime Minister of India. In order to accomplish this goal, the ITC has initiated an integrated programme with the name "Baareh Mahine Hariyali" (meaning "maximizing farm utilization over the course of 12 months of the year") to add a new facet to the challenging task of increasing the incomes of farmers. ITC is working with the National Institution for Transforming India (NITI) Aayog to help improve rural incomes by gradually building the capacity of two million farmers in 27 Aspirational Districts (ITC Ltd has diversified presence in FMCG, Hotels, Paperboards & Packaging, Agri-business, and IT, n.d.).

ITC is making a significant investment in India's future by constructing consumer goods factories of world-class caliber and epic hospitality assets that will contribute to the nation's capacity to compete globally. These investment projects serve as the foundation for the Company's support of the "Make in India" vision promoted by the Indian government (ITC Ltd has diversified presence in FMCG, Hotels, Paperboards & Packaging, Agri-business, and IT, n.d.).

4.2 Analysis of financial position

The financial position of Indian Tobacco Company (ITC) is analyzed with the help of vertical as well as horizontal analysis with a view to identify the most significant changes in items and to determine the trend over a specific period of time.

Vertical analysis of Balance sheet

Table 1 Vertical analysis of Assets (Percentage change)

Standalone Statement of Financial Position (in Crores)					
Particulars	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)
ASSETS					
Non-Current Assets					
(a) Property, plant, and equipment	24.24%	25.71%	25.16%	25.83%	26.05%
(b) Capital work-in-progress	8.04%	4.86%	3.69%	4.65%	3.25%
(c) Investment Property	-	-	0.51%	0.53%	0.49%
(d) Intangible assets	0.71%	0.77%	0.69%	3.61%	3.44%
(e) Intangible assets under development	0.01%	0.01%	0.01%	0.00%	0.03%
(f) Right of Use Assets	-	-	0.90%	1.02%	0.95%
(g) Financial Assets					
(i) Investments	21.63%	20.16%	17.88%	18.09%	20.85%
(ii) Loans	0.01%	0.01%	0.00%	0.00%	0.01%
(iii) Others	2.79%	3.41%	0.81%	0.10%	2.09%
(f) Income Tax Assets (Net)	0.03%	0.00%	0.00%	0.00%	0.00%
(g) Other non-current assets	3.25%	2.70%	1.81%	1.72%	1.64%
Total Non-Current Assets	60.72%	57.64%	51.48%	55.55%	58.79%
Current Assets					
(a) Inventories	11.60%	10.87%	10.68%	13.23%	13.31%
(b) Financial assets					
(i) Investments	15.88%	17.92%	22.83%	19.62%	15.48%
(ii) Trade receivables	3.78%	5.22%	2.78%	2.92%	2.60%
(iii) Cash and cash equivalents	0.15%	0.23%	0.75%	0.32%	0.25%
(iv) Other Bank Balances	4.01%	5.17%	8.35%	5.27%	4.92%
(v) Loans	0.01%	0.01%	0.01%	0.00%	0.01%
(vi) Others	1.84%	1.95%	2.00%	1.67%	3.05%
(c) Other current assets	2.02%	1.00%	1.13%	1.41%	1.59%
Total Current Assets	39.28%	42.36%	48.52%	44.45%	41.21%
Total Asset	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source: Author's calculation based on ITC's annual reports

The ITC asset portfolio is broken down into different verticals in Table 1. A vertical analysis is a type of proportional analysis that is performed on a financial statement. This type of analysis involves listing each line item on a financial statement as a percentage of another item. For the purpose of computing vertical analysis, the total assets have been used as the denominator, and all of the items listed on the balance sheet have been used as the numerator. This results in each item listed on the balance sheet being represented as a percentage of the total assets. According to the findings of the vertical analysis, the proportion of total assets held by non-current assets is significantly higher than that of current assets. Long-term investments of a company that are not easily convertible to cash and are not expected to be converted to cash within the current accounting year are referred to as a company's non-current assets. Current assets, on the other hand, are investments that a company makes that have a brief time horizon and are simple to sell off.

The non-current assets made up 60.72 percent of the total assets in 2017, which was the highest percentage among all of the assets. The non-current assets have shown a downward trend over the past two years, with a decline to 57.64% in 2018 and a further decline to 51.48% in 2019, the latter of which will be the lowest level in the previous five years. This indicates that the company is decreasing the amount of money it spends on long-term investments while simultaneously increasing the amount of money it spends on short-term investments. This is a positive sign for the growth of the company because it indicates that the company will be able to easily liquidate its assets whenever it is required, and it also decreases the likelihood that creditors will default on their payments. Non-current assets, on the other hand, have been on an upward trajectory over the past two years, as evidenced by the fact that they reached 55.55% in the year 2020 and 58.79% in the year 2021 respectively.

For the past three years, there has been a general trend toward an increase in the current assets. In the years 2017, 2018, and 2019, respectively, the percentage of assets that were current was 39.28%, 42.36%, and 48.52%. In addition, it experienced a decline of 4% during the year 2020, bringing it down to a total asset percentage of 44.45%. In the most recent year, which was 2021, it fell to a new low of 41.21%.

Over the course of the previous five years, there has been a consistent growth in the company's fixed assets. Because the property, plant, and equipment made up 24.24% of the total in 2017 but will make up 26.05% of the total in 2021. The upward trend in the company's fixed assets is indicative of the expansion of the company's production facilities, which, in turn, boosts the company's revenue.

The current assets section's inventories have been on a downward trajectory for the past three years. In the 2017 fiscal year, inventory was at 11.60%, but that number dropped to 10.87% in the 2018 fiscal year. In the fiscal year 2019, it was reported that inventories went down by a marginal amount, falling to a level of 10.68%. During that year, it went up by 2.55%, and then during the following year, it went up by 13.31%. Because of the rise in stockpiles, it is clear that the business is not doing very well in terms of turning its inventory into new products.

Table 2 Vertical analysis of Equity and Liabilities (Percentage change)

Standalone Statement of Financial Position (in Crores)					
EQUITY	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)
(a) Equity Share capital	1.96%	1.76%	1.63%	1.72%	1.64%
(b) Other Equity	80.44%	81.27%	83.47%	80.71%	80.12%
Total Equity	82.40%	83.03%	85.11%	82.43%	81.77%
Liabilities					
Non-current liabilities					
(a) Financial liabilities					
(i) Borrowings	0.02%	0.01%	0.01%	0.01%	0.01%
(ii) Lease Liabilities	0.00%	0.00%	0.34%	0.38%	0.35%
(iii) Other financial liabilities	0.06%	0.06%	0.12%	0.33%	0.13%
(b) Provisions	0.20%	0.19%	0.19%	0.22%	0.25%
(c) Deferred Tax liabilities (net)	3.07%	2.93%	2.15%	2.41%	2.22%
(d) Other non-current liabilities	0.06%	0.00%	0.00%	0.00%	0.00%
Total Non-current Liabilities	3.41%	3.19%	2.81%	3.36%	2.95%
Current Liabilities					
(a) Financial liabilities					
(i) Borrowings	0.00%	-	-	-	0.00%
(ii) Trade payables	5.42%	4.83%	4.58%	5.76%	5.62%
(iii) Lease Liabilities	0.00%	0.00%	0.09%	0.07%	0.06%

(iii) Other financial liabilities	1.25%	1.39%	1.52%	1.74%	2.00%
(b) Other current liabilities	7.47%	7.04%	5.55%	6.10%	6.79%
(c) Provisions	0.06%	0.04%	0.16%	0.24%	0.07%
(d) Current Tax liabilities (net)	0.00%	0.49%	0.18%	0.30%	0.73%
Total Current Liabilities	14.20%	13.78%	12.08%	14.21%	15.29%
Total Equity and Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Author's calculation based on ITC's annual reports

The vertical analysis of equity and liabilities is presented in Table 2. In terms of the total equity and liabilities, the equity accounts for 82.40% of both. The trend for the non-current liabilities showed a downward direction. The percentage of non-current liabilities is 3.41% in the year 2017, 3.19% in the year 2018, 2.81% in the year 2019, and 3.36% in the year 2021, respectively. Despite the fact that there has been a rising trend in current liabilities over the past two years. It was 14.2% in the year 2017, which was a slight increase of 0.01% from the previous year. It stood at 14.21% in the year 2020, and it further increased to 15.29% in the year 2021.

In the fiscal year 2017, the ratio of current liabilities was 14.20%, but by the year 2021, it had increased to 15.29%. This is a positive sign for the company as it indicates that their long-term debt has been on a downward trend for the past five years in a row. In the fiscal year 2017, the long-term debt was 11.13, but it dropped to 4.54 in the following fiscal year, 2021.

In addition to this, the business did not have any short-term debt from the fiscal year 2018 all the way through the fiscal year 2020. It has a very modest amount of short-term debt in the amount of 0.74 crores, which is equal to 0.0% of its total equity and liabilities in the year 2021.

Horizontal analysis of Balance sheet

Table 3 Horizontal analysis of Assets (Percentage change)

Standalone Statement of Financial Position (in Crores)					
Particulars	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)
ASSETS					
Non-Current Assets					
(a) Property, plant, and equipment	4.50%	18.69%	5.50%	-2.34%	5.78%
(b) Capital work-in-progress	43.69%	- 32.40%	- 18.14%	19.94%	-26.66%
(c) Investment Property	0.00%	0.00%	0.00%	-2.28%	-3.28%

(d) Intangible assets	8.53%	21.25%	-3.94%	396.97%	0.11%
(e) Intangible assets under development	-80.89%	13.29%	-60.67%	-10.03%	581.14%
(f) Right of Use Assets	0.00%	0.00%	0.00%	6.86%	-1.93%
(g) Financial Assets					
(i) Investments	59.02%	4.28%	-4.38%	-3.75%	20.90%
(ii) Loans	26.71%	-16.08%	-46.70%	-28.40%	113.50%
(iii) Others	1644.25%	36.71%	-74.50%	-88.07%	2070.32%
(f) Income Tax Assets (Net)	0.00%	0.00%	0.00%	0.00%	0.00%
(g) Other non-current assets	-24.14%	-7.04%	-27.53%	-9.75%	-0.22%
Total Non-Current Assets	27.63%	6.21%	-3.73%	2.68%	11.03%
Current Assets					
(a) Inventories	-7.97%	4.84%	5.94%	17.83%	5.56%
(b) Financial assets					
(i) Investments	-1.94%	26.28%	37.33%	-18.21%	-17.24%
(ii) Trade receivables	6.77%	54.70%	-42.63%	-0.08%	-6.59%
(iii) Cash and cash equivalents	-38.50%	69.44%	245.30%	-58.84%	-20.01%
(iv) Other Bank Balances	-3.56%	44.31%	74.19%	-39.98%	-2.05%
(v) Loans	23.15%	20.96%	-2.99%	-43.12%	106.86%
(vi) Others	14.23%	18.50%	10.71%	-20.50%	91.12%
(c) Other current assets	106.10%	-44.78%	21.99%	18.68%	18.79%
Total Current Assets	-0.14%	20.67%	23.46%	-12.85%	-2.75%
Total Asset	15.06%	11.89%	7.79%	-4.86%	4.91%

Source: Author's calculation based on ITC's annual reports

Company's financial statements older than one year can be analyzed using horizontal analysis. Anyone, from an interested consumer to a potential investor, can benefit from this information. Items on the financial statements are shown alongside the percentage by which they have changed in relation to the base year. Benchmarking assets horizontally is shown in Table 3. In this case, we perform a horizontal analysis covering the five years (2017 through 2021). The percentage change in assets for the year 2017 was, however, calculated using data from the previous year, 2016-17. In

this way, horizontal analysis can be conducted for subsequent fiscal years by using 2016–17 as a base year.

Other financial assets, a sub-heading of non-current assets, have seen the largest percentage change. To name just a few examples, the other financial assets category includes interest earned on loans, deposits, and investments, other receivables, and other deposits that are not classified as security deposits. In 2017, other financial assets rose by 1,644.25% from the previous year's baseline level. In 2021, it rose by 2070.32% once more.

As of the end of the 2017 fiscal year, noncurrent assets were up by 27.63 percent, and as of the end of the 2021 fiscal year, they were up by 11.3 percent. In 2017, the ratio of current liabilities to total assets was -0.14 percent, and in 2021–2022, it fell to -2.75 percent.

Except for the fiscal year 2020, when it was reduced by -2.34% as a result of the covid-19 pandemic, the value of property, plant, and equipment rose every year. In 2017, expenditures on PPE rose by 4.50%; in 2021, they will rise by 5.78%. This demonstrates that ITC has increased its production capacity while reducing its capital expenditures.

In terms of inventory management, the company is failing to meet expectations, according to the findings of the horizontal analysis conducted. Since stockpiles have been growing steadily over the past four years, it follows that prices should rise as well. In 2018, 2019, 2020, and 2021, it was 4.84%, 5.74%, 17.83%, and 5.56%.

Table 4 Horizontal analysis of Equity and Liabilities (Percentage change)

Standalone Statement of Financial Position (in Crores)					
EQUITY	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)
(a) Equity Share capital	0.47%	- 100.00%	0.27%	0.14%	0.12%
(b) Other Equity	13.72%	- 100.00%	10.71%	-8.00%	4.14%
Total Equity	13.36%	- 100.00%	10.49%	-7.85%	4.06%
Liabilities					
Non-current liabilities					
(a) Financial liabilities					
(i) Borrowings	-38.13%	- 100.00%	-28.64%	-6.22%	-14.02%
(ii) Lease Liabilities	0.00%	0.00%	0.00%	5.06%	-4.62%
(iii) Other financial liabilities	283.93%	- 100.00%	115.92%	164.56%	-59.68%

(b) Provisions	-7.27%	- 100.00%	8.41%	9.24%	18.97%
(c) Deferred Tax liabilities (net)	2.47%	- 100.00%	-20.86%	6.80%	-3.51%
(d) Other non-current liabilities	161.43%	- 100.00%	0.00%	0.00%	0.00%
Total Non-current Liabilities	3.90%	- 100.00%	-4.93%	13.46%	-7.78%
Current Liabilities					
(a) Financial liabilities					
(i) Borrowings	0.00%	0.00%	0.00%	0.00%	0.00%
(ii) Trade payables	32.58%	- 100.00%	2.33%	19.52%	2.52%
(iii) Lease Liabilities	0.00%	0.00%	0.00%	-20.83%	-10.26%
(iii) Other financial liabilities	-0.83%	- 100.00%	17.91%	8.80%	20.46%
(b) Other current liabilities	38.96%	- 100.00%	-14.96%	4.62%	16.67%
(c) Provisions	-6.19%	- 100.00%	367.27%	43.34%	-67.11%
(d) Current Tax liabilities (net)	0.00%	0.00%	-60.34%	58.77%	154.03%
Total Current Liabilities	29.67%	- 100.00%	-5.53%	11.93%	12.82%
Total Equity and Liabilities	15.06%	- 100.00%	7.79%	-4.86%	4.91%

Source: Author's calculation based on ITC's annual reports

Table 4 shows a horizontal analysis of liabilities and equity. For the purpose of calculating the percentage change that occurred for each item listed on the balance sheet, the year 2016–17 has been used as the base year for the subsequent year, 2017. For 2018 and subsequent years, the year 2017 has been used as the base year.

In the fiscal year 2017, the overall equity increased by 13.36%. However, it has stated that the impact of the COVID-19 pandemic in 2018 has resulted in a decrease of –one hundred%. It showed signs of recovery in 2019 and grew by 10.49%. It decreased by -7.85% in 2020–2021 before increasing by 4.06% in 2021–2022 again. In 2017, the non–current liabilities increased by 3.90%, and in 2021, they decreased by -7.78%. Since the past two years, the current liabilities have grown significantly. In 2017, it was 29.67%, and in 2021, it rose to 12.82%.

The company's long-term debt has been on the decline for the last five years in a row. In comparison to other parts of equity & liabilities, the other financial liabilities increased by the highest amount, 283.93%. The company has no short-term debt for the four-year period, or from 2017 to 2020. A negligible 0.74 crores in short-term debt were marked in the fiscal year 2021–20, which is small. In the 2017 year, the other current liabilities accounted for the largest percentage change of 283.93%.

4.3 Analysis of financial performance

Vertical analysis of Profit & Loss Statement

Table 5 Vertical analysis of Standalone Profit & Loss Statement (Percentage change)

Standalone Statement of Income (in Crores)					
Particulars	2017	2018	2019	2020	2021
	(%)	(%)	(%)	(%)	(%)
I Revenue from operations	100.00%	100.00%	100.00%	100.00%	100.00%
II Other Income	4.80%	5.43%	6.44%	6.70%	4.33%
III Total Income (I+II)	104.80%	105.43%	106.44%	106.70%	104.33%
IV EXPENSES	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of material consumed	26.52%	28.80%	28.03%	28.04%	26.89%
Purchase of Stock-in-Trade	6.75%	9.39%	9.16%	14.21%	17.97%
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress, and intermediates	2.35%	-0.39%	-0.38%	-1.09%	-0.95%
Excise duty	8.35%	1.72%	2.54%	6.26%	5.70%
Employee benefits expense	5.61%	5.96%	5.68%	5.81%	5.13%
Finance cost	0.20%	0.07%	0.12%	0.10%	0.07%
Depreciation and amortization expense	2.58%	2.86%	3.34%	3.22%	2.77%
Other expenses	15.36%	16.72%	16.71%	14.77%	13.58%
Total Expenses (IV)	67.72%	65.14%	65.21%	71.33%	71.15%
V Profit/(loss) before exceptional items and tax (III-IV)	37.08%	40.28%	41.23%	35.37%	33.18%
VI Exceptional items	0.93%	0.00%	-0.28%	0.00%	0.00%
VII Profit/(loss) before tax (V+VI)	38.01%	40.28%	40.95%	35.37%	33.18%
VIII Tax expense:	0.00%	0.00%	0.00%	0.00%	0.00%
Current tax	12.63%	12.78%	9.49%	8.32%	8.09%

Deferred Tax	0.06 %	0.29 %	- 0.88 %	0.20 %	- 0.10 %
IX Profit/(loss) for the year (VII-VIII)	25.3 2%	27.2 2%	32.3 4%	26.8 6%	25.2 0%
X Other comprehensive income/(loss)	0.86 %	0.79 %	- 2.95 %	0.51 %	0.96 %
Total Comprehensive income/(loss) for the year (IX+X)	26.1 8%	28.0 2%	29.3 8%	27.3 6%	26.1 6%

Source: Author's calculation based on ITC's annual reports

Table 5 shows a vertical analysis of the profit and loss statement. The base used to calculate the percentage change in other profit and loss statement items was the revenue from operations. In the 2017 fiscal year, other income held 4.80%; in the 2021 fiscal year, it decreased to 4.33%. Because other income makes up a smaller percentage of operating revenue than operating revenue, the percentage change there has less of an impact on operating revenue than it does on total income.

The percentage of total income, which is 104.80% of revenue, is the highest of all the items on the income statement, and it is followed by the percentage of total expenses, which is 67.82% of revenue. When compared to total expenses, the cost of the material used makes up the largest portion of revenue. It was 26.52% of operating revenue in 2017, and from 2017 to 2020, there was an upward trend in that figure. However, the cost of material consumed has only decreased by an exceedingly small percentage—1.15—in the years 2021–2022. Additionally, since it represents the second-highest percentage of revenue after the cost of material consumed, other expenses play a significant role in overall expenses. The other costs were 15.36% in 2017 and increased steadily over the next two years, from 2018 to 2019. In the years that followed, it fell to 14.77% and then again to 13.58%. Over the past five years, there has not been a meaningful change in finance costs. Due to the company's increased investment in fixed assets, a rising trend in depreciation and amortization costs has been observed. Depreciation and amortization expenses were 2.58% in 2017 and 3.22% in 2020.

Horizontal analysis of Profit & Loss statement

Table 6 Horizontal analysis of Standalone Statement of Profit & Loss Statement (Percentage change)

Standalone Statement of Income (in Crores)					
Particulars	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)
I Revenue from operations	- 20.0 5%	3.28 %	2.23 %	3.67 %	23.1 2%
II Other Income	7.25 %	16.6 5%	21.3 0%	7.88 %	- 20.3 3%
III Total Income (I+II)	- 19.1 1%	3.89 %	3.22 %	3.92 %	20.4 0%
IV EXPENSES					
Cost of material consumed	- 0.08 %	12.1 5%	- 0.48 %	3.68 %	18.0 8%
Purchase of Stock-in-Trade	- 16.1 1%	43.7 3%	- 0.25 %	60.7 7%	55.6 5%
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress, and intermediates	61.7 4%	- 117. 29%	- 2.11 %	198. 78%	7.52 %
Excise duty	- 75.9 0%	- 78.7 0%	50.5 7%	155. 92%	12.0 0%
Employee benefits expense	1.77 %	9.69 %	- 2.57 %	6.12 %	8.54 %
Finance cost	277. 56%	- 60.5 4%	62.9 7%	- 14.8 1%	- 11.6 3%
Depreciation and amortization expense	10.3 4%	14.5 2%	19.1 8%	- 0.09 %	5.78 %
Other expenses	- 3.96 %	12.4 5%	2.16 %	- 8.37 %	13.2 0%
Total Expenses (IV)	- 28.4 0%	- 0.65 %	2.34 %	13.4 0%	22.8 1%
V Profit/(loss) before exceptional items and tax (III-IV)	6.04 %	12.2 0%	4.63 %	- 11.0 6%	15.5 3%

VI Exceptional items	0.00 %	0.00 %	0.00 %	- 100. 00%	0.00 %
VII Profit/(loss) before tax (V+VI)	8.70 %	9.45 %	3.92 %	- 10.4 5%	15.5 3%
VIII Tax expense:					
Current tax	5.94 %	4.45 %	- 24.0 6%	- 9.15 %	19.7 9%
Deferred Tax	74.4 1%	356. 32%	- 414. 86%	- 123. 63%	- 164. 00%
IX Profit/(loss) for the year (VII-VIII)	10.0 2%	11.0 6%	21.4 4%	- 13.9 0%	15.5 5%
X Other comprehensive income/(loss)	396. 55%	- 5.17 %	- 481. 13%	- 117. 82%	133. 04%
Total Comprehensive income/(loss) for the year (IX+X)	12.9 2%	10.5 2%	7.23 %	- 3.46 %	17.7 3%

Source: Author's calculation based on ITC's annual reports

Table 6 displays a horizontal analysis of the profit and loss statement using the 2016–17 fiscal year as the base year for the 2017 fiscal year. Comparative analysis has been done between the elements listed in the profit and loss statement for the years 2017 and 2016–17. Additionally, the horizontal analysis is calculated similarly for the remaining years. In the fiscal year 2017, the revenue from operations experienced negative growth of 20.05%. In order to increase revenue, the company has therefore increased the size of its production facilities by investing more money in fixed assets like plant, machinery, and equipment. Due to these factors, the revenue from operations increased positively by 3.28% in the fiscal year 2018. The covid-19 crisis, which happened in 2019, had a significant impact on revenue. Because of the lockdowns that the government imposed during the pandemic, the growth of operating revenue was down slightly in 2019, standing at 2.23%. However, following the pandemic, the company has made a full recovery, and its operating revenue is expected to rise by 3.67% in 2020. It again increased quickly by 23.12% in 2021–2022, which is admirable. Due to a decline in interest income and a decline in gain/loss from financial instruments, the other income, which represented 7.25% of revenue in 2017, fell to –20.33% in 2021.

In 2017, total expenses decreased by –28.40%, but in 2021, they significantly increased by –22.81%. In terms of total expense, the biggest percentage increase was seen in the finance cost, which increased by 277.56% in 2017. In 2017, the cost of material consumed fell to -0.08%. However, in 2021–2022 it rose by 18.08%. In 2017, other expenses decreased by -3.96%, and in 2021, they increased by 13.20%.

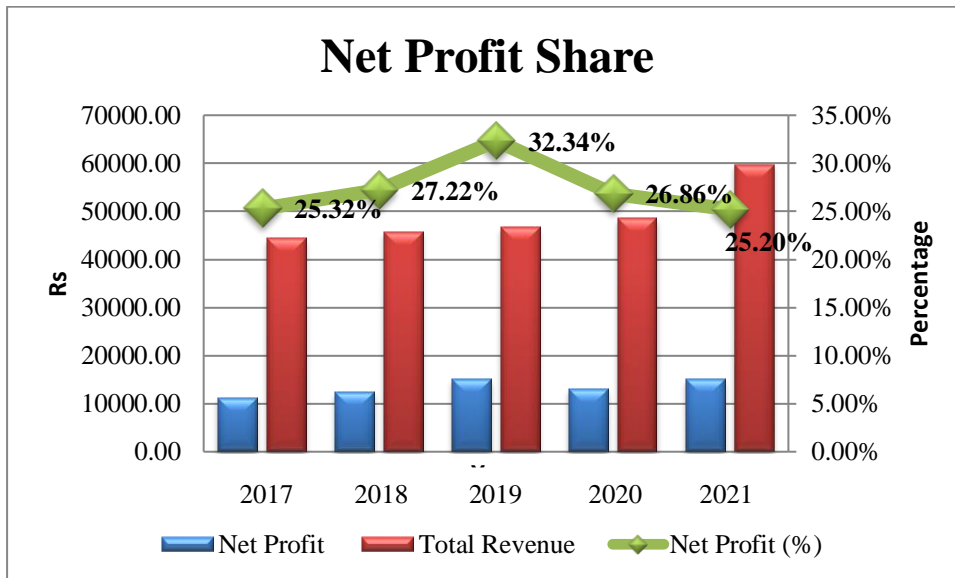
For three years in a row, the company's profit increased significantly. In the years 2017, 2018, and 2019, it increased by 10.02%, 11.06%, and 21.44%. Due to the COVID-19 pandemic, it fell by -13.90% in 2020. However, in 2021–2022 it rose by 15.55%.

4.4 Analysis of ratios

Analysis of Profitability Ratios

Net Profit share

Figure 1: Net Profit share

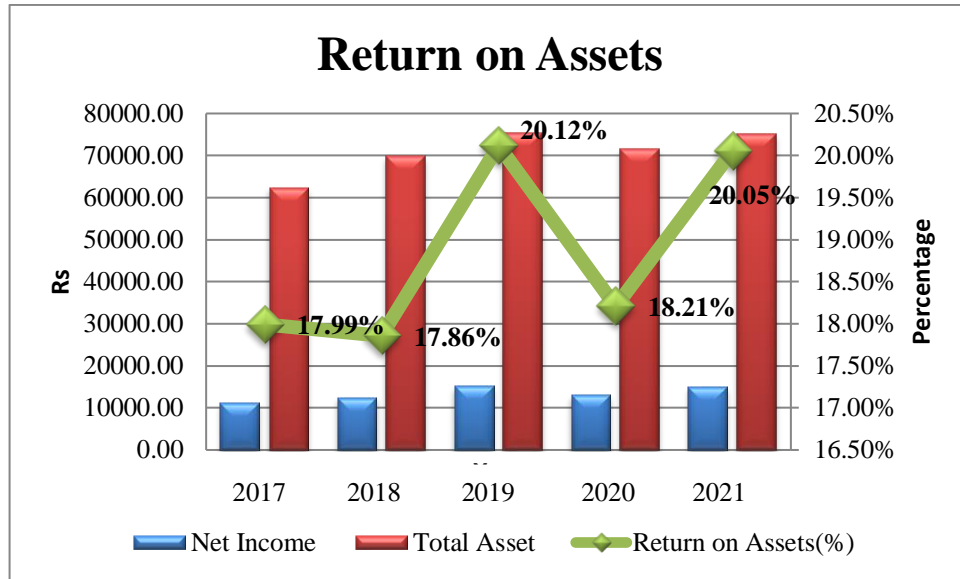


Source: Author's calculation based on ITC's annual reports

From 2017 to 2019, the net profit ratio has increased. In the years 2017, 2018, and 2019, respectively, the net profit ratio was 25.32%, 27.22%, and 32.24%. Due to the pandemic, the net profit ratio dropped to 26.86% in 2020 and 25.20% in 2021. Despite the pandemic, the business has done well and has kept a profit over the past five years.

Return on Assets

Figure 2: Return on Assets

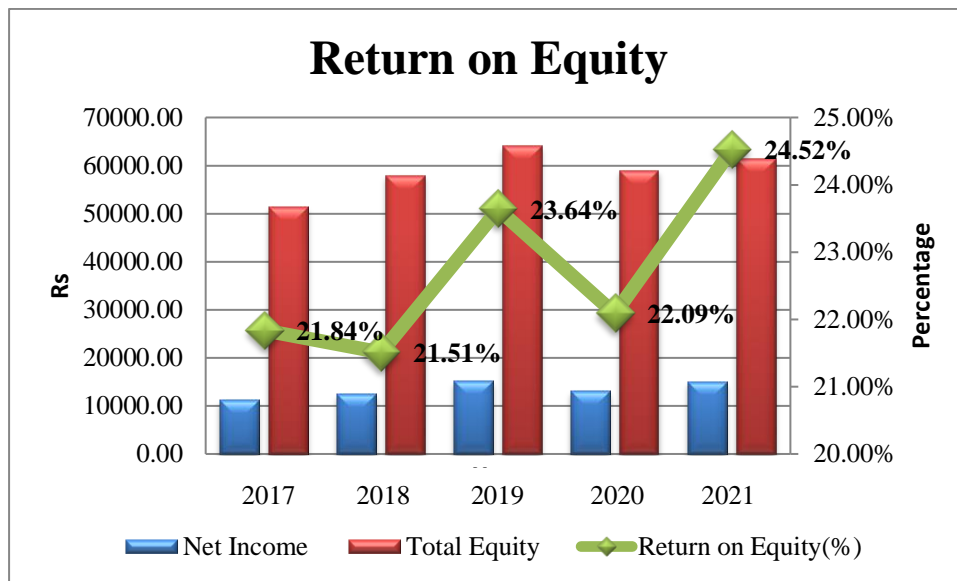


Source: Author's calculation based on ITC's annual reports

Figure 2 demonstrates that net income will continue to rise through 2019. In 2020, it fell as a result of the pandemic. However, it indicated a slight increase in 2021–2022. While the company's total assets have increased significantly over the past three years, from 2017 to 2019. In 2020–2021, the total assets fell, but they rose once more in 2021–2022. Since it was 17.99% in 2017 and increased to 20.12% in 2019, the return on assets has been steadily rising through 2019. The return on assets for the years 2020 has decreased by 1.91%. It did, however, make a strong comeback and saw an increase to 20.05% in 2021–2022. The fluctuation in return on assets over the previous five years shows that there is room for improvement for the company. In order to avoid investing in risky assets, the company should make wise asset investments. In addition, it should avoid making excessive asset investments.

Return on Equity

Figure 3: Return on Equity



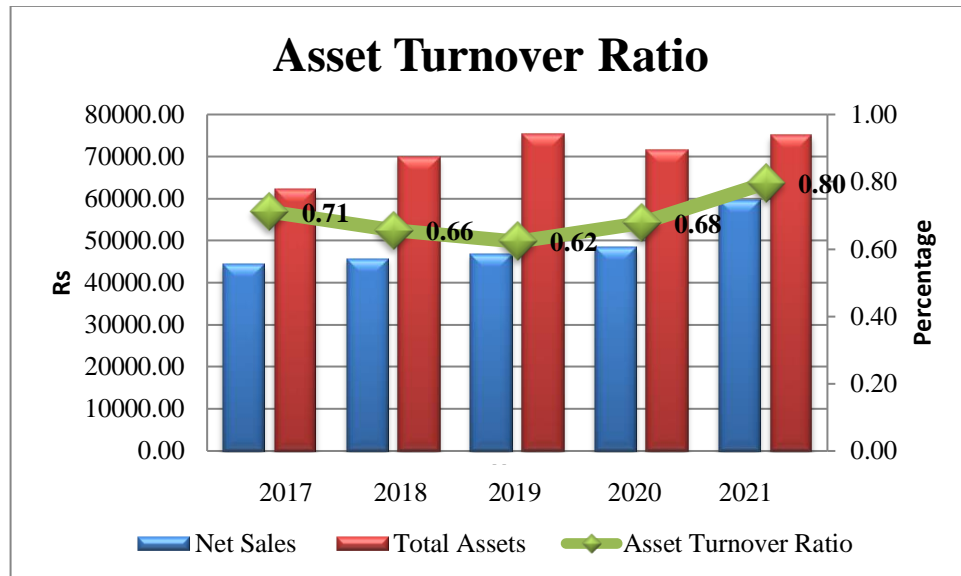
Source: Author's calculation based on ITC's annual reports

In the last five years, the company's return on equity has fluctuated just as much as its return on assets. In the years 2017, 2018, 2019, 2020, and 2021, the return on equity was 21.84%, 21.51%, 23.64%, 22.09%, and 24.52%, respectively. In comparison to other years, the company has offered a highest return on equity of 24.52% in 2021–2022. The business, however, is less effective and did not maximize the wealth of its shareholders.

Analysis of Activity Ratios

Asset Turnover Ratio

Figure 4: Asset Turnover Ratio

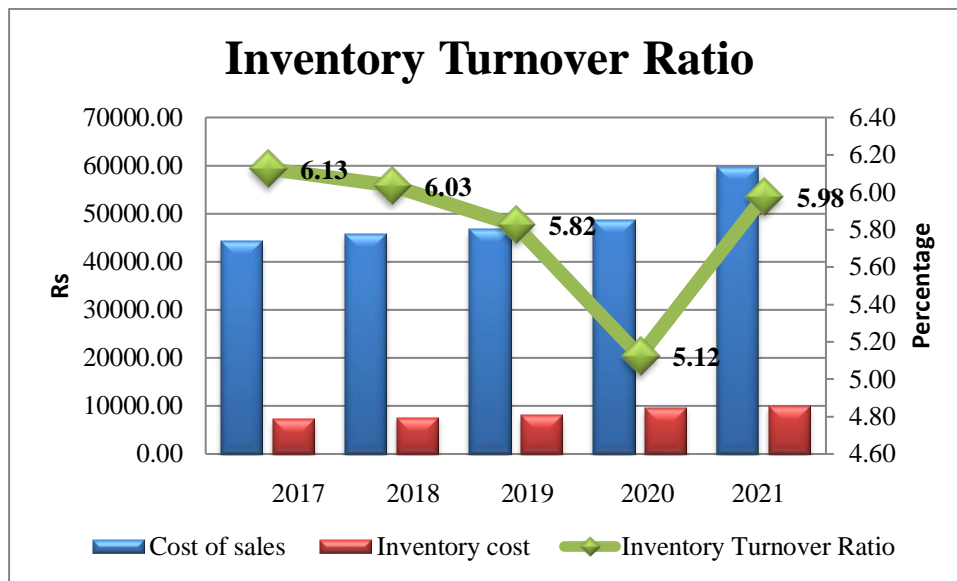


Source: Author's calculation based on ITC's annual reports

In the fiscal year 2017, the asset turnover ratio was 0.71. After that, it starts to decline in 2019 from 2018. In 2018 and 2019, it was 0.66 and 0.62. In 2020–2021, the asset turnover ratio was raised to 0.68. The ratio reached its peak in 2021–2022, when it was 0.80. According to the analysis, the company is not making the best use of its resources to increase revenue.

Inventory Turnover Ratio

Figure 5: Inventory Turnover Ratio

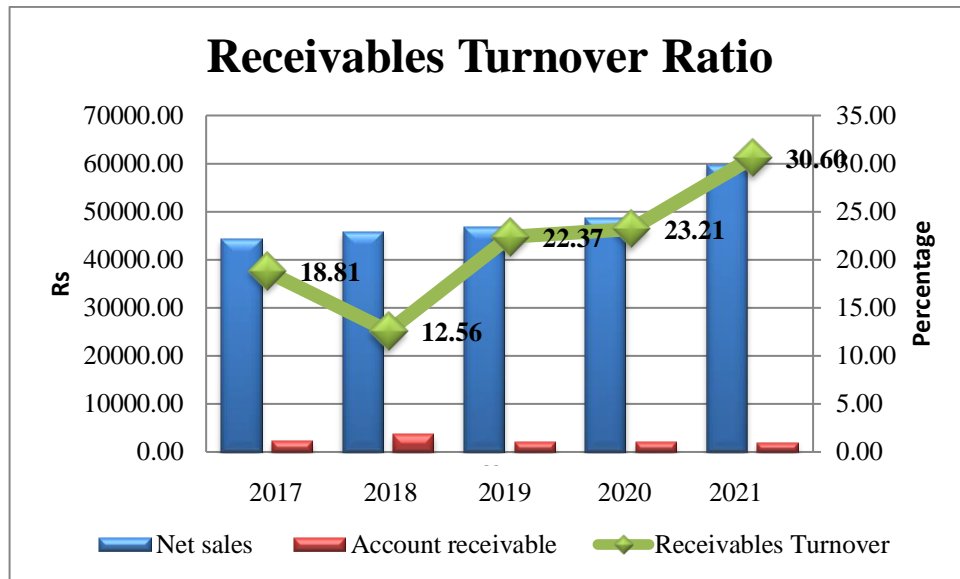


Source: Author's calculation based on ITC's annual reports

Figure 5 displays the inventory turnover ratio over the previous five years. A bar chart also shows the inventory turnover ratio's component parts. In 2017, the ratio was 6.13; it fell to 6.03 in 2018 and 5.82 in 2019. It further fell to 5.12 in 2020–2021, possibly as a result of the covid–19 pandemic. With an increase to 5.95 from 5.12 in 2020–2021, the company is doing exceptionally well in terms of inventory turnover ratio. Overall, the business struggles to manage its inventory effectively.

Receivables Turnover Ratio

Figure 6: Receivables Turnover Ratio



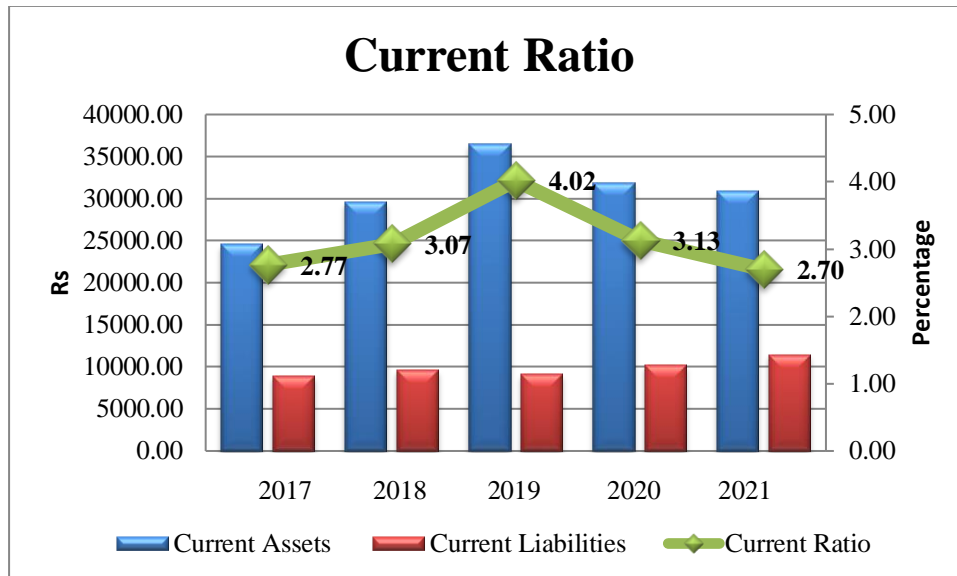
Source: Author's calculation based on ITC's annual reports

Receivables turnover ratio over the previous five years is shown in figure 6. The company is doing well, as evidenced by the receivable's turnover ratio, which was 18.81 in 2017. In the following fiscal year, it dropped to 12.56. The amount of money owed by the company to its customers in 2019 has been successfully collected, and as a result, the receivable turnover ratio risen by 9.81% and reached 22.37% in 2019. The ratio has been steadily rising over the past three years, from 2019 to 2021–2022. The receivable turnover ratio was highest over the previous five years in 2020 and 2021, respectively, at 23.21 and 30.60.

Analysis of Liquidity Ratios

Current ratio

Figure 7: Current Ratio

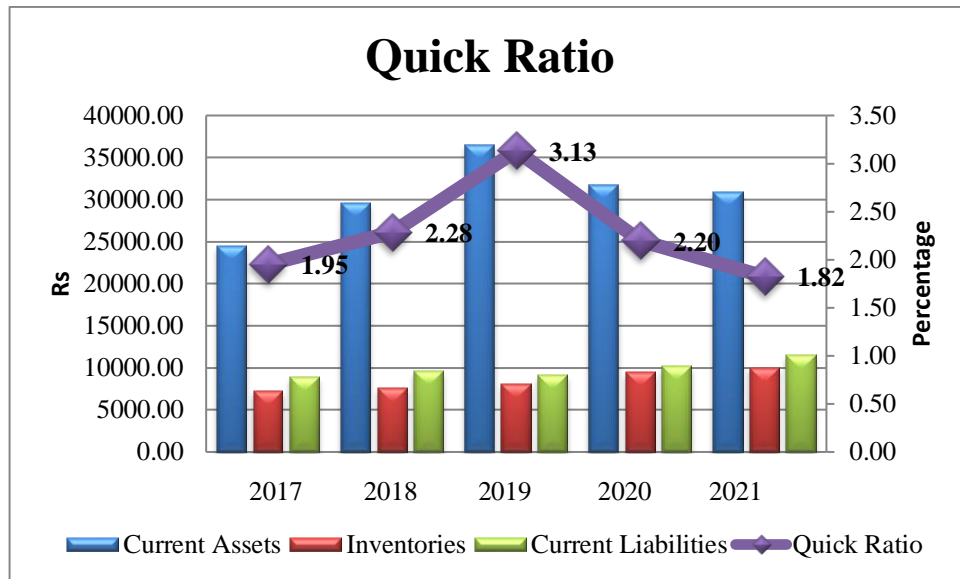


Source: Author's calculation based on ITC's annual reports

Figure 7 demonstrates how the company's current assets have been steadily increasing over the course of three years, from 2017 to 2019. Current assets have decreased over the last two years, from 2020–2021 to 2021–2022. In the five years prior, the current liabilities have been gradually rising. Current assets outnumber current liabilities for the company. As a result, the business is doing well in terms of current ratio. As a result, the current ratio increased from 2.77 in 2017 to 4.02 in 2019. After 2019, there is a significant drop of 0.89, and in 2020, the current ratio was 3.13. Due to an increase in current liabilities and a decrease in current assets, it decreased by 2.70 once more in 2021. The company still has enough current assets to cover its current liabilities despite the ratio's decline.

Quick Ratio

Figure 8: Quick Ratio

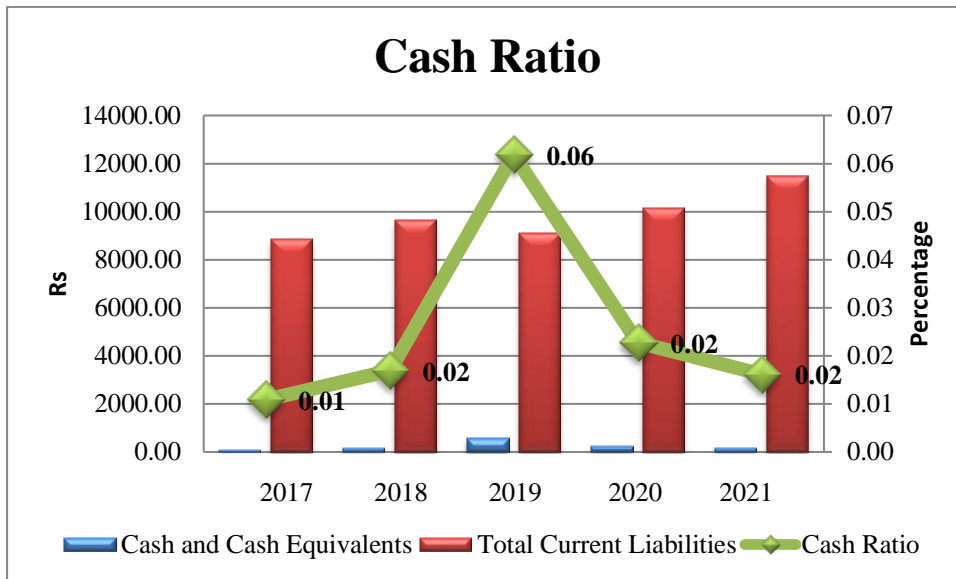


Source: Author's calculation based on ITC's annual reports

Figure 8 shows the ITC quick ratio for the five years prior. The outcome shows that the company has consistently reported a quick ratio of greater than one, indicating that it has enough short-term assets to pay off its debt obligations. Additionally, it demonstrates that the business has more current assets than current liabilities.

Cash Ratio

Figure 9: Cash Ratio



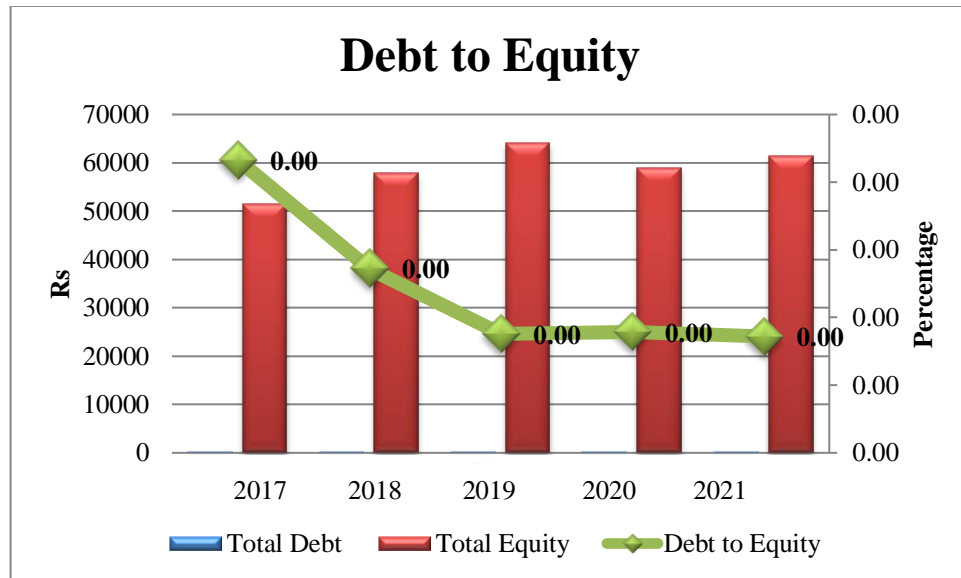
Source: Author's calculation based on ITC's annual reports

The cash ratio for ITC is shown in figure 9. In the years 2018–18, 2018, and 2019, the company had cash ratios of 0.01, 0.02, and 0.06, respectively. In the fiscal years 2021–2022, the company's cash ratio decreased to 0.02. It has been established that the company's cash ratio has fallen over the last five years. This shows that there is not enough money in the company's bank account to cover its current obligations.

Analysis of Solvency Ratios

Debt to Equity

Figure 10: Debt to Equity

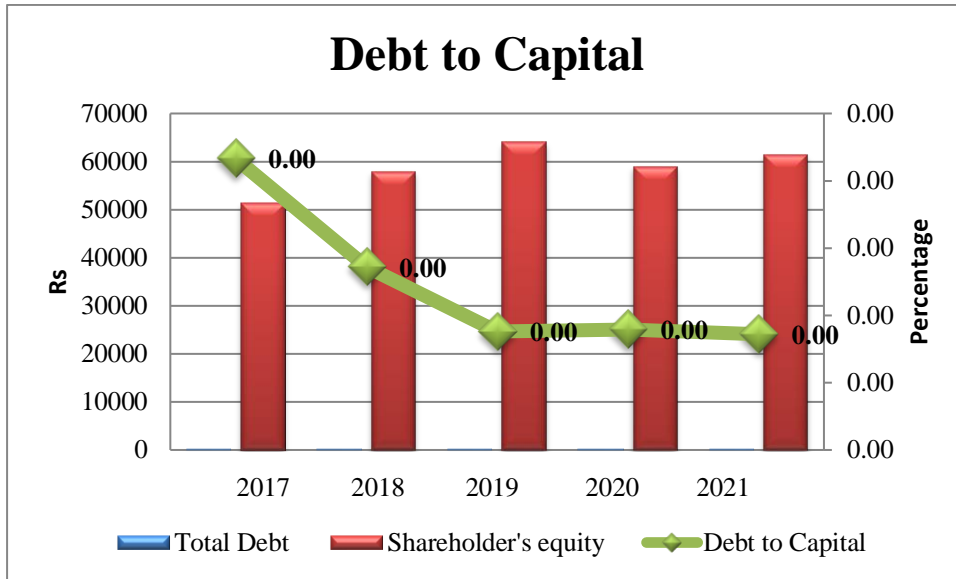


Source: Author's calculation based on ITC's annual reports

In the four years from 2017 to 2020, Indian Tobacco Company will have less debt compared to the amount of total equity. As a result, the company's debt to equity ratio has remained at 0.00 for five years running, which is below 1. This shows that the business has enough equity to cover both its long-term and short-term debt obligations.

Debt to Capital

Figure 11: Debt to Capital

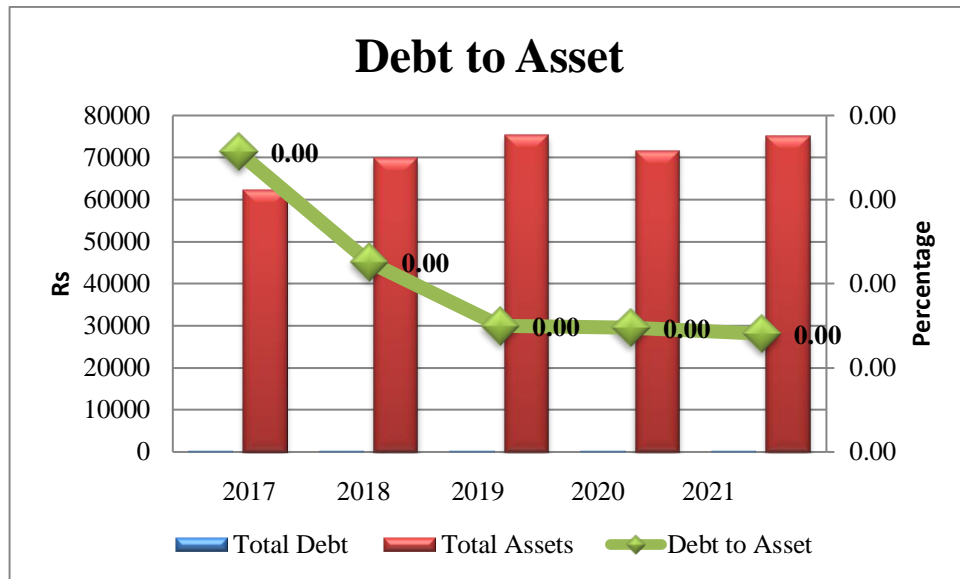


Source: Author's calculation based on ITC's annual reports

Figure 11 displays the debt-to-capital ratio and its constituent parts. The debt to capital ratio is 0.00 in all analyzed years, from 2017 to 2021, just like the debt-to-equity ratio. Tobacco Indigenous person has enough cash on hand to repay its debt.

Debt to Asset

Figure 12: Debt to Asset

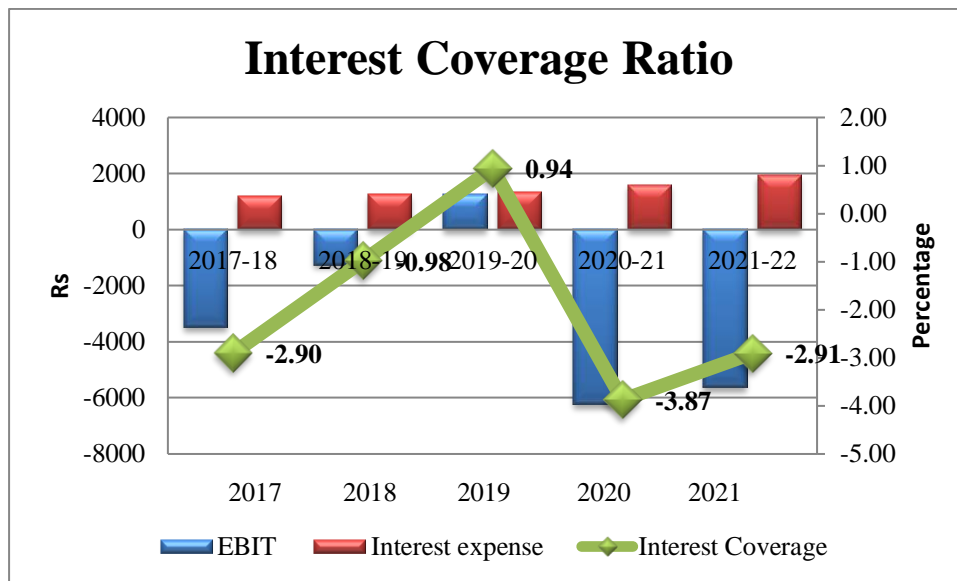


Source: Author's calculation based on ITC's annual reports

For the past five years, Indian Tobacco Company's debt has been less than the value of its assets, resulting in a debt to asset ratio of 0.00. The outcomes indicate that the company will not go into debt default.

Interest Coverage Ratio

Figure 13: Interest Coverage Ratio



Source: Author's calculation based on ITC's annual reports

Figure 13 displays the interest coverage ratio of ITC, which indicates whether or not the company has sufficient earnings before interest and taxes to cover its interest liability. If the ratio is larger, the company is more capable of meeting its lease obligations, and if it is smaller, the company is less able to do so. Both in 2017 and 2018, the ratio is sad news for the business. In 2017, 2018, 2020, and 2021, respectively, the interest coverage ratio was -2.90, -0.98, -3.87, and -2.91. In the upcoming fiscal year, the ratio was favorable, coming in at 0.94.

4.5 Altman Z-score Analysis

Table 7 Calculation of Altman Z-score

Particulars	2017	2018	2019	2020	2021
Working Capital/Total Assets	0.25	0.29	0.36	0.30	0.26
Retained Earnings/ Total Assets	0.35	0.39	0.45	0.39	0.40
EBIT / Total Assets	0.26	0.26	0.26	0.24	0.26
Book Value of Equity / Total Liabilities	4.68	4.89	5.71	4.69	4.48
Sales/Total Assets	0.71	0.66	0.62	0.68	0.80
Z score	5.18	5.34	5.96	5.20	5.23
Results	Safe Zone	Safe Zone	Safe Zone	Safe Zone	Safe Zone

Source: Author's calculation based on ITC's annual reports

The robustness of a company's finances can be evaluated with the help of the Altman z-score model. In other words, it is helpful to have knowledge regarding whether or not the company will go bankrupt. The Altman z-score model consists of five distinct parameters, each of which is utilized in the process of calculating the z-score. When the value of the company's z-score is greater than 2.99, we say that the business is operating within a "safe zone." If the z-score for the company is greater than 1.81 but less than 2.99, then the business is in the grey zone. If the z-score for the company is lower than 1.81, then the company is considered to be in the distress zone, which indicates that there is an increased likelihood that the company will go out of business.

All five parameters are listed in table 7, which can be found here. To determine the first parameter, divide the working capital by the total assets. The working capital is defined as the difference between the current assets and the current liabilities. The second criterion considers how much of a proportion retained earnings play in total assets. Calculating retained earnings involves adding the values of the opening balance of retained earnings, the profit of the year, other comprehensive income, transfer from share option on exercise and lapse, and transfer from equity instruments through another corpus. This results in the calculation of retained earnings. In order to calculate retained earnings, the value of dividends paid out is deducted from the total amount that was obtained after adding everything up. Earnings before interest and taxes are subtracted from total assets and then divided by that number to get the third parameter's value. The market value of equity is determined by multiplying the total number of shares by the market price of each share, and

the market value of equity is then divided by the total amount of liabilities. This gives the fourth parameter that is used in the calculation of the overall balance. In addition, the very last parameter is obtained by dividing the total assets by the total revenue.

According to the findings of the analysis, ITC has always reported a z-score that is higher than 2.99 throughout the course of these five years. Because of this, ITC is considered a creditworthy company and falls within the safe zone. In the year 2019, the business has the highest z-score value possible, which is 5.96. 5.18 was the lowest value of the z-score that it could achieve in the 2017 academic year. The z-score has not significantly decreased in any of the five years that have been reported on. Consequently, it is risk-free for investors to put their money into ITC.

5. Results and Discussion

Analysis including vertical analysis, horizontal analysis, and ratio analysis, have been performed on the income statement as well as the balance sheet. In order to determine a company's creditworthiness, the Altman z-score is another score that is calculated. The following list contains the conclusions drawn from the analysis.

5.1 Findings from analysis of balance sheet

To determine the company's current financial position, an analysis of the balance sheet of the Indian Tobacco Company was performed. The data was collected over the course of the past five years, beginning in 2017–2018 and ending in 2021–2022. According to the findings of the vertical analysis of the assets, the proportion of non-current assets to total assets is significantly higher than that of current assets. The proportion of non-current assets to total assets in 2017 was 60.72%, the highest of any asset category when compared to other asset categories.

The company's fixed assets have been steadily growing over the past five years, as evidenced by the fact that the proportion of total assets comprised of property, plant, and equipment rose from 24.24% in 2017 to 26.05% in 2021. The inventories make up a sizeable portion of the current assets, and they are growing. During that year, it went up by 2.55%, and then during the following year, it went up by 13.31%. In the case of an equity and liability vertical analysis, the equity accounts for 82.40% of the total equity and liabilities.

Therefore, in comparison to loans, it is the most important source of financing for the ITC. Not only long-term debt but also non-current liabilities have shown a trend toward decreasing amounts. In the fiscal year 2017, the long-term debt was 11.13, but it dropped to 4.54 in the following fiscal year, 2021. The amount of the company's short-term debt that falls under the category of current liabilities is extremely low. The findings of the vertical analysis suggest that the company has a solid asset base, as evidenced by the growing investments that it has made in fixed assets. In addition to this, it has a low amount of long-term debt and short-term debt, both of which are easily payable by the company because of the solid asset base it possesses.

The massive amount of percentage change has been recorded in other financial assets, which fall under the category of non-current assets, as revealed by the results of a horizontal analysis of the assets. When it comes to equity and liability, the total amount of equity plays

an important part because it is one of the primary sources of financing. As a result of the pandemic caused by COVID-19, it dropped by 100.00% in 2018. Since the beginning of the past two years, the current liabilities have been significantly increasing.

A pattern of decreasing long-term debt for the company has been recorded over the course of the preceding five years in a row. The other financial liabilities saw the largest percentage increase, with a rise of 283.93%, when compared to the other components of equity and liabilities. A horizontal analysis revealed that the most significant shifts in assets occurred in non-current assets, such as other financial assets. However, according to the vertical analysis, these amounts do not make up a sizeable portion of the total assets.

5.2 Findings from analysis of Profit & Loss Statement

The profit and loss statement of Indian Tobacco Company was used to ascertain the shift that took place in each item that was listed on the financial statement. According to the vertical analysis of the profit and loss statement, the total expenses of the company are consistently growing in each year of analysis along with increases in both profit and revenue. This trend can be seen across all years of analysis. Most total expenses are comprised of the cost of the materials that were used along with other associated costs. Therefore, it has an impact on the performance of the ITC. On the other hand, the horizontal analysis leads to a reduction in other income, which is the consequence of a decrease in the income obtained from interest and a reduction in the gain/loss from financial instruments. In addition to this, the company's profit has been significantly growing for the past three years in a row, as evidenced by the fact that it has increased by 10.02%, 11.06%, and 21.44% in the years 2017, 2018, and 2019 respectively. As a result of the pandemic caused by covid-19, the number dropped by -13.90% in the year 2020. Despite this, it went up by 15.55 percent between 2021 and 2022. Both the rise in expenses and the rise in revenue have an impact on the total amount of profit. Depreciation can have a negligible impact on a company's profit, but it can protect that company from incurring losses in the future.

5.3 Findings from ratio analysis

The company has performed well and retained profitability over the last five years in terms of net profit ratio, despite the pandemic. While the company is doing poorly in terms of return on equity, the return on assets remains volatile overall years. According to asset turnover ratios, it has been found that the company is not using its assets as effectively as it could be. By using and managing its assets effectively, the company could significantly increase its revenue. ITC's inventory management is deficient based on its inventory turnover ratio. Receivable turnover ratio in 2021–2022 was 30.60, the highest in the previous five years, indicating the company is doing well. Indian Tobacco Company posted outstanding results, which are indicative of the company's strong position in terms of liquidity. For the next three years, from 2017 to 2019, the company's current assets will continue to grow. Current assets have decreased over the last two years, from 2020–2021 to 2021–2022. The company still has enough current assets to cover its current liabilities despite the ratio's decline. The quick ratio's conclusion shows that the business has enough short-term assets to pay its debts. However, according to the cash ratio, the company does not have enough cash to cover its current liabilities. Due to the company's small debt load, its debt to equity, debt to capital, and debt to asset ratios over the previous five years were all zero. According to the interest coverage ratio, ITC is less capable of making lease payments.

5.4 Findings from Altman z-score analysis

According to the analysis's findings, ITC has consistently reported z-scores above 2.99 over the past five years. ITC is a creditworthy company and thus is in the safe zone. Investments in ITC are secure for investors.

6. Conclusion

Before deciding to invest in a company, it is of the utmost importance to conduct an analysis of the financial position as well as the financial performance of that company. Consequently, the balance sheet and income statement are used in the thesis to conduct an analysis of the fundamentals of the Indian Tobacco Company, which is one of the largest companies in the Fast-Moving Consumer Goods industry. The primary division of the thesis is into two parts: the introduction and the body. The first part of the report consists of an introduction, followed by objectives and the methodology that will be used for the analysis. After that comes the section on the literature review, which delves into the theoretical foundations of the subject at hand. The second part of the paper is devoted to the practical aspects, including the analysis. The analysis was conducted with the help of secondary data. The information was compiled using the annual reports provided by ITC for the period spanning 2017 through 2021. The horizontal analysis, the vertical analysis, the ratio analysis, and the Altman z-score analysis are the methods that are used in the process of evaluating ITC's financial position, financial performance, and financial soundness.

The findings of the vertical analysis show that the company's fixed assets have been steadily growing over the past five years. This is since the company has been expanding the size of its production facilities to achieve higher levels of revenue. ITC's profit is being affected by the cost of the materials that are being used up, as well as by other expenses and revenue. While the results of the horizontal analysis indicate that there is a decrease in other income, this decline came about not only because of a decrease in the income received from interest but also a decrease in the gain/loss from financial instruments. In addition to this, a significant amount of percentage change was recorded in other financial assets that fall under the category of non-current assets according to the results of the horizontal analysis. When compared to long-term and short-term debts, equity represents the most significant source of financing for ITC.

The company has only taken out an exceedingly small amount of money in the form of long-term and short-term loans, and both types of loans are easily repayable with the company's assets because the company holds an excessive amount of assets. According to the findings of ratio analysis, a company is doing well in terms of its liquidity ratios, except for its cash ratio. This is since the company has a lower amount of cash and cash equivalents. Despite the pandemic, the business has been doing very well and has continued to be profitable over the course of the last five years, as measured by the net profit ratio. The company's return on assets, return on equity, asset turnover ratio, inventory turnover ratio, and interest coverage ratio are all below average. As a result, the company needs to ensure that its inventories are managed effectively and that its assets are used appropriately to generate higher returns. To maintain a strong position while making payments on debts and to improve its performance regarding interest coverage ratio, it should reduce the amount of money it spends on interest relative to the amount of money it earns. Furthermore, the Z-score Model indicates that the company is creditworthy, and there is a higher probability that the company will not default in paying off its liabilities. This is supported by the fact that the company has a positive score.

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Appendix

Appendix 1: Balance sheet of ITC from 2017-2022

Standalone Statement of Financial Position (in Crores)						
Particulars	2017	2018	2019	2020	2021	2022
ASSETS						
Non-Current Assets						
(a) Property, plant, and equipment	14469.32	15120.00	17945.65	18932.57	18489.91	19559.15
(b) Capital work-in-progress	3491.33	5016.85	3391.47	2776.31	3329.97	2442.34
(c) Investment Property	-	-	-	385.36	376.56	364.20
(d) Intangible assets	410.92	445.99	540.75	519.45	2581.52	2584.42
(e) Intangible assets under development	45.69	8.73	9.89	3.89	3.50	23.84
(f) Right of Use Assets	-	-	-	680.17	726.84	712.84
(g) Financial Assets						
(i) Investments	8485.51	13493.77	14071.45	13455.59	12950.38	15657.32
(ii) Loans	5.84	7.40	6.21	3.31	2.37	5.06
(iii) Others	99.83	1741.28	2380.49	607.09	72.45	1572.40
(f) Income Tax Assets (Net)	-	18.66	-	-	-	-
(g) Other non-current assets	2670.12	2025.63	1883.05	1364.71	1231.62	1228.92
Total Non-Current Assets	29678.56	37878.31	40228.96	38728.45	39765.12	44150.49
Current Assets						
(a) Inventories	7863.99	7237.15	7587.24	8038.07	9470.87	9997.77
(b) Financial assets						
(i) Investments	10099.78	9903.45	12506.55	17175.02	14046.71	11624.95
(ii) Trade receivables	2207.50	2357.01	3646.22	2092.00	2090.35	1952.50
(iii) Cash and cash equivalents	156.15	96.03	162.71	561.84	231.25	184.97
(iv) Other Bank Balances	2591.12	2498.85	3606.02	6281.43	3770.25	3692.97
(v) Loans	3.37	4.15	5.02	4.87	2.77	5.73
(vi) Others	1004.91	1147.95	1360.29	1505.94	1197.15	2287.97
(c) Other current assets	610.57	1258.41	694.91	847.74	1006.07	1195.15

Total Current Assets	24537. 39	24503. 00	29568. 96	36506. 91	31815. 42	30942. 01
Total Asset	54215. 95	62381. 31	69797. 92	75235. 36	71580. 54	75092. 50
EQUITY						
(a) Equity Share capital	1214.7 4	1220.4 3	1225.8 6	1229.2 2	1230.8 8	1232.3 3
(b) Other Equity	44126. 2	50179. 64	56723. 93	62799. 9	57773. 7	60167. 24
Total Equity	45341	51400. 07	57949. 8	64029. 2	59004. 58	61399. 57
Liabilities						
Non-current liabilities						
(a) Financial liabilities						
(i) Borrowings	17.99	11.13	7.89	5.63	5.28	4.54
(ii) Lease Liabilities	-	-	-	259.25	272.36	259.79
(iii) Other financial liabilities	9.21	35.36	41.9	90.47	239.35	96.5
(b) Provisions	131.47	121.91	132.64	143.79	157.07	186.87
(c) Deferred Tax liabilities (net)	1871.7	1917.9 4	2044.1 4	1617.6 5	1727.7 3	1667.1 4
(d) Other non-current liabilities	14.65	38.3	-	-	-	-
Total Non-current Liabilities	2044.9 2	2124.6 4	2226.5 7	2116.7 9	2401.7 9	2214.8 4
Current Liabilities						
(a) Financial liabilities						
(i) Borrowings	0.01	-	-	-	-	0.74
(ii) Trade payables	2551.2 2	3382.2 8	3368.2 8	3446.7 4	4119.5 3	4223.4
(iii) Lease Liabilities	-	-	-	64.87	51.36	46.09
(iii) Other financial liabilities	784.78	778.3	972.94	1147.2 4	1248.1 7	1503.5 9
(b) Other current liabilities	3351.1 5	4656.7 8	4910.4	4175.9 1	4369	5097.2 8
(c) Provisions	41.83	39.24	25.24	117.94	169.05	55.6
(d) Current Tax liabilities (net)	101.08	-	344.7	136.71	217.06	551.39
Total Current Liabilities	6830.0 7	8856.6	9621.5 6	9089.4 1	10174. 17	11478. 09
Total Equity and Liabilities	54216	62381. 3	69797. 9	75235. 4	71580. 54	75092. 5

Here, 1 Crore (Indian standards) = 10 Million

Appendix 2: Profit & Loss Statement of ITC from 2017-2022

Standalone Statement of Income (in Crores)						
Particulars	2017	2018	2019	2020	2021	2022
I Revenue from operations	554 48.4 6	443 29.7 7	457 84.3 9	468 07.3 4	485 24.5 4	597 45.5 6
II Other Income	198 5.91	212 9.84	248 4.54	301 3.66	325 0.99	258 9.97
III Total Income (I+II)	574 34.3 7	464 59.6 1	482 68.9 3	498 21.0 0	517 75.5 3	623 35.5 3
IV EXPENSES						
Cost of material consumed	117 65.5 6	117 56.2 1	131 84.9 7	131 21.7 6	136 05.0 7	160 64.5 0
Purchase of Stock-in-Trade	356 6.57	299 1.98	430 0.32	428 9.71	689 6.40	107 34.4 8
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress, and intermediates	644. 17	104 1.85	- 180. 14	- 176. 34	- 526. 86	- 566. 46
Excise duty	153 59.7 8	370 2.23	788. 74	118 7.64	303 9.43	340 4.29
Employee benefits expense	244 4.31	248 7.46	272 8.44	265 8.21	282 0.95	306 1.99
Finance cost	22.9 5	86.6 5	34.1 9	55.7 2	47.4 7	41.9 5
Depreciation and amortization expense	103 8.04	114 5.37	131 1.70	156 3.27	156 1.83	165 2.15
Other expenses	709 0.03	680 9.06	765 6.55	782 2.11	716 7.09	811 3.10
Total Expenses (IV)	419 31.4 1	300 20.8 1	298 24.7 7	305 22.0 8	346 11.3 8	425 06.0 0
V Profit/(loss) before exceptional items and tax (III-IV)	155 02.9 6	164 38.8 0	184 44.1 6	192 98.9 2	171 64.1 5	198 29.5 3
VI Exceptional items	-	412. 90	-	- 132. 11	-	-
VII Profit/(loss) before tax (V+VI)	155 02.9 6	168 51.7 0	184 44.1 6	191 66.8 1	171 64.1 5	198 29.5 3
VIII Tax expense:						

Current tax	528 5.65	559 9.83	584 9.24	444 1.97	403 5.36	483 3.88
Deferred Tax	16.4 1	28.6 2	130. 60	- 411. 21	97.1 5	- 62.1 8
IX Profit/(loss) for the year (VII-VIII)	102 00.9 0	112 23.2 5	124 64.3 2	151 36.0 5	130 31.6 4	150 57.8 3
X Other comprehensive income/(loss)	77.0 0	382. 34	362. 56	- 138 1.81	246. 25	573. 85
Total Comprehensive income/(loss) for the year (IX+X)	102 77.9 0	116 05.5 9	128 26.8 8	137 54.2 4	132 77.8 9	156 31.6 8

Here, 1 Crore (Indian standards) = 10 Million