

FINANCIAL PERFORMANCE ANALYSIS AS A TOOL FOR STRATEGIC MANAGEMENT DECISION-MAKING: ITC LTD

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ABSTRACT

Financial performance analysis plays a crucial role in evaluating the financial health, operational efficiency, and strategic position of an organization. This study examines the financial performance of ITC Limited over a five-year period from 2019–2024 using various financial ratios and analytical tools. The research focuses on assessing profitability, liquidity, solvency, and capital utilization efficiency to understand the company's ability to generate sustainable growth and shareholder value. Secondary data collected from annual reports, financial statements, and published corporate disclosures form the basis of the analysis. Key financial indicators such as Current Ratio, Quick Ratio, Net Profit Ratio, Return on Capital Employed (ROCE), and Debt-Equity Ratio are employed to evaluate the company's financial stability and operational effectiveness. The findings reveal that ITC Limited has maintained a strong liquidity position throughout the study period, demonstrating its ability to meet short-term obligations efficiently. The profitability analysis indicates a positive trend in net earnings and operational performance, supported by improved resource utilization and diversified revenue streams. The company's ROCE reflects effective capital management, while its negligible debt-equity ratio highlights a conservative financing structure with minimal dependence on external borrowings. Furthermore, ITC's strategic diversification into FMCG products, agri-business, hotels, and information technology has contributed significantly to strengthening its market position and reducing business risks. The study concludes that ITC Limited possesses strong financial fundamentals, sustainable growth prospects, and a robust strategic framework capable of supporting long-term value creation. The results emphasize the importance of financial performance analysis as a strategic decision-making tool that enables management, investors, and stakeholders to evaluate organizational effectiveness and formulate future growth strategies.

Keywords: Financial Performance, Ratio Analysis, ITC Limited, Liquidity, Profitability, Solvency, ROCE, Strategic Management, Financial Health, Decision Making.

I. INTRODUCTION

Financial performance analysis is an essential component of strategic management and corporate decision-making. It enables organizations to evaluate operational efficiency, profitability, liquidity, and long-term sustainability through systematic examination of financial statements and ratio analysis. In today's competitive business environment, managers rely on financial information to formulate strategies, allocate resources, and assess organizational performance. Financial analysis provides insights into revenue generation, cost control, asset utilization, and shareholder value creation, thereby supporting informed managerial decisions and sustainable

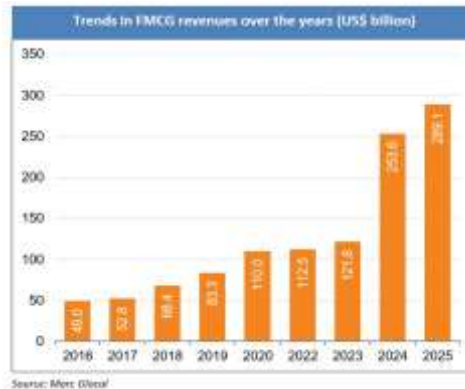
growth. Previous studies have emphasized the significance of financial indicators in evaluating organizational success and competitive advantage [1]. Researchers have highlighted the importance of profitability measurement in strategic planning [2]. Financial ratio analysis has been identified as a reliable tool for evaluating business performance [3]. Liquidity assessment contributes significantly to financial stability evaluation [4]. Solvency indicators assist in determining long-term sustainability [5]. Capital structure decisions influence corporate value creation [6]. Efficient resource utilization enhances organizational productivity [7]. Financial statement analysis supports investment decisions [8]. Profitability measures provide insight into operational effectiveness [9]. Cash flow analysis assists in identifying financial strengths and weaknesses [10]. Strategic management increasingly depends on financial performance evaluation [11]. Market competitiveness is linked with financial efficiency [12]. Corporate governance influences financial outcomes [13]. Shareholder wealth maximization remains a primary objective [14]. Risk management practices improve financial resilience [15].

ITC Limited represents one of India's leading diversified conglomerates operating across FMCG, hotels, paperboards, packaging, agri-business, and information technology sectors. The company has consistently demonstrated strong financial performance through strategic diversification, innovation, and sustainability initiatives. Financial analysis of ITC provides valuable insights into how diversified business operations contribute to long-term organizational success. The company's strong market presence, extensive product portfolio, and prudent financial management make it an ideal case for performance evaluation. Previous research has highlighted the role of diversification in improving corporate profitability [16]. Sustainable business practices enhance long-term value creation [17]. Strategic investments strengthen competitive positioning [18]. Efficient working capital management supports operational continuity [19]. Liquidity management contributes to financial flexibility [20]. Profitability trends indicate organizational efficiency [21]. Return on capital employed reflects effective resource utilization [22]. Financial stability supports expansion opportunities [23]. Strong governance practices improve investor confidence [24]. Revenue diversification reduces business risks [25]. Strategic decision-making enhances corporate performance [26]. Financial performance influences market valuation [27]. Operational efficiency drives sustainable growth [28]. Stakeholder confidence depends on financial transparency [29]. Long-term organizational success is closely linked to sound financial management practices [30].

II. LITERATURE REVIEW

Several researchers have examined financial performance analysis as a critical tool for evaluating corporate efficiency and strategic effectiveness. Studies have emphasized the role of ratio analysis in measuring profitability, liquidity, solvency, and operational efficiency [1]. Financial statement analysis provides a framework for assessing organizational performance [2]. Researchers have highlighted the importance of profitability indicators in measuring financial success [3]. Liquidity ratios help evaluate short-term financial stability [4]. Solvency measures indicate long-term sustainability [5]. Capital structure analysis contributes to investment decision-making [6]. Financial performance assessment supports strategic planning [7]. Resource utilization efficiency influences profitability levels [8]. Corporate governance enhances financial outcomes [9]. Market competitiveness is closely linked to financial strength [10]. Performance measurement systems facilitate effective management control [11]. Strategic investments improve organizational growth [12]. Diversification strategies reduce

operational risk [13]. Stakeholder value creation remains a primary objective of financial management [14]. Sustainable business practices positively influence financial performance [15].



Recent studies focusing on ITC Limited have reported strong financial stability and consistent profitability. Researchers observed that ITC's diversified business portfolio contributes significantly to revenue generation and risk reduction [16]. Studies found that the company maintains a healthy liquidity position [17]. Profitability indicators demonstrated stable growth over time [18]. Efficient working capital management improved operational performance [19]. Capital employed has been effectively utilized to generate returns [20]. The company's low debt exposure reduces financial risk [21]. Sustainability initiatives positively influence corporate reputation [22]. FMCG expansion contributes to revenue diversification [23]. Strategic resource allocation supports business growth [24]. Digital transformation enhances operational efficiency [25]. Investor confidence is strengthened through consistent dividend policies [26]. Financial resilience enables adaptation to market uncertainties [27]. Strong governance practices improve transparency and accountability [28]. Long-term growth strategies support sustainable value creation [29]. Overall, existing literature concludes that financial performance analysis serves as an effective instrument for evaluating organizational health and supporting strategic decision-making processes [30].

III. RESEARCH METHODOLOGY

The study adopts a descriptive research design to evaluate the financial performance of ITC Limited. Secondary data were collected from annual reports, audited financial statements, company disclosures, journals, articles, and published financial databases covering the period from 2019 to 2024. Financial ratio analysis was used as the primary analytical tool for assessing the company's financial health. Key ratios including Current Ratio, Quick Ratio, Net Profit Ratio, Return on Capital Employed (ROCE), and Debt-Equity Ratio were calculated and interpreted to examine liquidity, profitability, solvency, and operational efficiency.

The collected data were systematically organized and analyzed using comparative and trend analysis techniques. Ratio values across different years were compared to identify performance patterns and financial trends. Findings were interpreted in relation to strategic management objectives and organizational sustainability. The study focuses exclusively on secondary data and selected financial indicators, which may limit broader generalization.

Nevertheless, the methodology provides a reliable framework for evaluating ITC Limited’s financial performance and understanding its strategic implications.

IV. RESULTS AND DISCUSSION

The analysis reveals that ITC Limited maintained a strong liquidity position throughout the study period. The Current Ratio and Quick Ratio remained above recommended benchmarks, indicating sufficient current assets to meet short-term obligations. Although liquidity ratios declined marginally during certain years, they continued to reflect sound working capital management and financial stability. The company’s ability to maintain adequate liquidity demonstrates effective operational planning and prudent resource allocation.

(₹ in Crores)

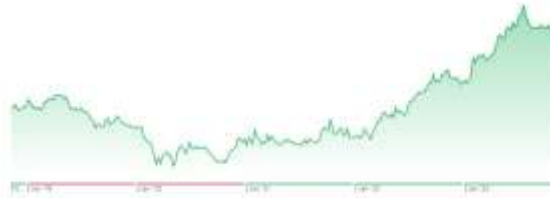
YEAR	CURRENT ASSETS	CURRENT LIABILITY	CURRENT RATIO
2019 – 2020	36,506.91	9,089.41	4.02
2020 – 2021	31,815.42	10,174.17	3.13
2021 – 2022	30,942.01	11,478.09	2.70
2022 – 2023	35,203.44	12,415.62	2.83
2023 – 2024	36,070.67	12,415.61	2.90

YEAR	NET PROFIT	NET REVENUE FROM OPERATIONS	NET PROFIT RATIO
2019 – 2020	₹15,136.05	₹49,821.00	30.38%
2020 – 2021	₹13,031.64	₹51,775.53	25.16%
2021 – 2022	₹15,057.83	₹62,335.53	24.16%
2022 – 2023	₹18,753.31	₹72,688.89	25.80%
2023 – 2024	₹20,421.97	₹73,643.57	27.73%

YEAR	PROFIT BEFORE TAX AND INTEREST	CAPITAL EMPLOYED	RETURN ON CAPITAL EMPLOYED
2019 – 2020	₹19,298.92	₹66,909.97	28.85%
2020 – 2021	₹17,164.15	₹2,401.79	27.95%
2021 – 2022	₹19,829.53	₹63,614.41	31.18%
2022 – 2023	₹24,677.54	₹69,846.12	35.33%
2023 – 2024	₹26,323.34	₹74,911.99	35.14%

Profitability indicators showed a positive trend, with Net Profit Ratio and ROCE improving significantly during the latter years of the study. The increase in profitability reflects enhanced operational efficiency, cost control measures, and revenue growth across diversified business segments. The Debt-Equity Ratio remained extremely low, indicating minimal dependence on external financing and a strong equity base. This conservative financial

structure reduces financial risk and enhances long-term sustainability. Overall, the findings suggest that ITC Limited possesses strong financial fundamentals, effective strategic management practices, and substantial growth potential, making it financially resilient in a dynamic business environment.



V. CONCLUSION

Financial performance analysis serves as an indispensable tool for evaluating organizational effectiveness and supporting strategic management decisions. The present study examined ITC Limited's financial performance using key financial ratios covering liquidity, profitability, solvency, and capital utilization. The findings demonstrate that the company has maintained strong financial health, characterized by stable liquidity, consistent profitability, efficient utilization of capital, and minimal reliance on debt financing. ITC's diversified business model, strategic investments, and focus on sustainable growth have contributed significantly to its strong market position and long-term value creation. The company's ability to generate consistent profits while maintaining financial stability reflects effective managerial decision-making and sound financial practices. Furthermore, the study highlights the importance of financial ratio analysis in identifying strengths, weaknesses, opportunities, and potential risks associated with corporate performance. The results provide valuable insights for investors, managers, researchers, and other stakeholders seeking to evaluate organizational efficiency and future prospects. Overall, ITC Limited demonstrates strong financial resilience and sustainable growth capabilities, making it a benchmark organization within the Indian corporate sector. Future research may incorporate advanced financial models, comparative industry analysis, and predictive techniques to gain deeper insights into the evolving financial performance and strategic direction of the company.

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