

**Project**

ON

**“A STUDY OF WORKING CAPITAL MANAGEMENT OFITC. LTD FOR  
THE YEAR 2019-2020 TO 2021-2022”**

Submitted to  
DMSR- G. S. College of Commerce & Economics, Nagpur  
**(An Autonomous Institution)**

Affiliated to  
Rashtrasant Tukadoji Maharaj Nagpur University,  
Nagpur

In partial fulfilment for the award of the degree of  
**Master of Business Administration**

Submitted by

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Under the Guidance of  
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**NAAC Re-Accredited “A” Grade Autonomous Institution**



Academic Year 2021-22

**G.S. College Of Commerce & Economics, Nagpur**

**CERTIFICATE**

This is to certify that **“Ms. Vinisha Kiran Shende”** has submitted the project report titled **“A STUDY OF WORKING CAPITAL MANAGEMENT OF ITC. LTD FOR THE YEAR 2019-2020 TO 2021-2022”**, towards partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate. It is further certified that he has ingeniously completed his project as prescribed by DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited “A” Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

**Prof. Kamlesh Thote**

**(Project guide)**

**Dr. Sonali Gadekar**

**(Co-ordinator)**

**Place: Nagpur**

**Date:**

**28/07/2022**

**G.S. College Of Commerce & Economics,**  
**Nagpur**

**DECLARATION**

I here-by declare that the project with title “**A STUDY OF WORKING CAPITAL MANAGEMENT OF ITC. LTD FOR THE YEAR 2019-2020 TO 2021-**

**2022”** has been completed by me in partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination as prescribed by DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited “A” Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

**Ms. Vinisha Kiran Shende**

**Place: Nagpur**

**G.S. College Of Commerce & Economics, Nagpur**

**ACKNOWLEDGEMENT**

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. N.Y. Khandait, Principal, G.S. College of Commerce & Economics, Nagpur and to the Dean of the DMSR “Mr. Anand Kale”.

I am extremely thankful to my Project Guide Prof. Kamlesh Thote for her guideline throughout the project. I tender my sincere regards to Co-ordinator, Dr. Sonali Gadekar for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

**Ms. Vinisha Kiran Shende**

Place: Nagpur

# **INTRODUCTION**

**TITLE OF PROJECT**

**“A Study Of Working Capital Management Of ITC. Ltd For The Year  
2019-2020 to 2021-2022**

This project research is related to the working capital management by analysing the company's data with the help of working capital to know the performance of the company and the working capital efficiency.

Decisions relating to working capital (Current assets-Current liabilities) and short term financing are known as working capital management. It involves the relationship between a firm's short-term assets and its short term liabilities.

The goal of working capital management is to ensure that the firm is able to continue its Operation and that it has sufficient cash flow to satisfy both maturing short term debt and Upcoming operational expenses.

Working Capital Analysis has been carried out using Financial Information for last three accounting years i.e. from 2019 to 2022 Ratios like Working capital Turnover Ratio. Quick Ratio, Current Ratio, receivable turnover ratio, payable turnover ratio, inventory ratio have also been analysed.

# **COMPANY PROFILE**

## COMPANY PROFILE



# Enduring Value

ITC Limited is an Indian conglomerate company headquartered in Kolkata. ITC has a diversified presence across industries such as FMCG, hotels, software, packaging, paperboards, specialty papers and agribusiness. The company has 13 businesses in 5 segments. It exports its products in 90 countries. Its products are available in 6 million retail outlets.

Established in 1910 as the Imperial Tobacco Company of India Limited, the company was renamed as the India Tobacco Company Limited in 1970 and later to I.T.C. Limited in 1974. The company now stands renamed to ITC Limited, where "ITC" today is no longer an acronym.

As of 2019–20, ITC had an annual turnover of US\$10.74 billion and a market capitalisation of US\$35 billion. It employs 36,500 people at more than 60 locations across India.



The company was converted into a Public Limited Company on 27 October 1954. The first step towards Indianization was taken in the same year with 6% of the Indian shareholding of the company. ITC also became the first Indian company to foray into consumer research during this time. During the 1960s, technology was given more focus on setting up cigarette machinery and filter-rod manufacturing facilities aimed at achieving self-sufficiency in cigarette-making.

Ajit Narain Haskar became the company's first Indian chairman in 1969 and this was crucial in building up the Indian management for the company. As the company's ownership was progressively Indianised, under Haskar's leadership, the name of the company was changed from "Imperial Tobacco Company of India Limited" to "India Tobacco Company Limited" in 1970. ITC also became the first company in India to start from the 1971 Scissor's Cup. Innovative market campaigns and electronic data processing were started in the 1970s.

In 1973, ITC set up its integrated research center in Bangalore, aimed at diversification and venturing into newer businesses with research and development. With the unfolding diversification plans, the name of the company was changed to 'I.T.C. Limited' in 1974. The Indian shareholding grew further to 40% during this time. ITC entered into the hospitality sector with hotel business in 1975 with the acquisition renaming of ITC Welcomgroup Hotel Chola in Madras. ITC chose the hospitality sector for its potential to earn high levels of foreign exchange, create tourism infrastructure and generate large-scale direct and indirect employment.

The shareholding went over 60% in 1976 and more hotels were started by the company in the following years. ITC Sangeet Research Academy was set up at Calcutta in 1977. In 1979, ITC entered the paperboards business by promoting ITC Bhadrachalam Paperboards Limited. J N Sapru took over as the company's chairman in 1983 and the international expansion started with the acquisition of Surya Nepal Private Limited in 1985. The year 1986 saw vigorous moves from the company with the opening of an Indian restaurant in the city of New York, acquisition and renaming of Vishvarama Hotels to ITC Hotels Limited, setting up of two new ventures – the ITC Classic Finance Limited and ITC Agro Tech Limited under its umbrella.

ITC also entered into the edible oils industry with the launch of the Sundrop brand of cooking oils in 1988. Tribeni Tissues Limited was acquired in 1990. K L Chugh assumed the role of chairman in 1991 and ITC Global Holding Private limited was started as an international trading company in

Singapore in 1992. In 1994, all the hotels under the company were transferred into the listed subsidiary company ITC Hotels Limited. ITC, through the brand Wills, sponsored the 1996 Cricket World Cup.

Y.C. Deveshwar took over as the company's chairman in 1996 and the corporate governance structure was re-crafted to support the effective management of multiple businesses. ITC exited from edible oils business and financial services; sold the ITC Classic Finance Limited to ICICI Limited and handed the Sundrop business to ConAgra Foods Limited in 1998. In the year 2000, an innovative initiative for farmers called "e-Choupal" was started in Madhya Pradesh 2000. The same year witnessed the launch of ITC's Wills Sport range of casual wear with its first retail outlet in New Delhi and ITC's entry into stationery products and gifting business introducing the 'Expressions' range of greeting cards and Classmate notebooks.

A wholly owned information technology subsidiary, ITC Infotech India Limited was also started in 2000 and the ITC Bhadrachalam Paperboards Limited was merged into ITC Limited. The name of the company was changed to "ITC Limited" omitting the dots and adapting the strategy "No stops for ITC" in 2001.

An employee stock option scheme was introduced for the first time and a web portal for the company was launched. Subsidiaries for ITC Infotech were set up in the United Kingdom and the USA.

ITC is one of India's foremost private sector companies and a diversified conglomerate with businesses spanning Fast Moving Consumer Goods, Hotels, Paperboards and Packaging, Agri Business and Information Technology. The Company is acknowledged as one of India's most valuable business corporations with a Gross sales value of ₹ 90,104 crores and Net Profit of ₹ 15,058 crores (as on 31.03.2022). ITC was ranked as India's most admired company, according to a survey conducted by Fortune India, in association with Hay Group.

### **Multiple Drivers of Growth**

ITC is the country's leading FMCG marketer, the clear market leader in the Indian Paperboard and Packaging industry, a globally acknowledged pioneer in farmer empowerment through its wide-reaching Agri Business, a pre-eminent hotel chain in India that is a trailblazer in

'Responsible Luxury'. ITC's wholly-owned subsidiary, ITC Infotech, is a specialized global digital solutions provider.

Over the last decade, ITC's new Consumer Goods Businesses have established a vibrant portfolio of 25 world-class Indian brands that create and retain value in India. ITC's world class FMCG brands including Aashirvaad, Sunfeast, Yippee! Bingo!, B Natural, ITC Master Chef, Fabelle, Sunbean, Fiama, Engage, Vivel, Savlon, Classmate, Paperkraft, Mangaldeep, Aim and others have garnered encouraging consumer franchise within a short span of time. While several of these brands are market leaders in their segments, others are making appreciable progress.

### **Leveraging Institutional Strengths**

The competitiveness of ITC's diverse businesses rest on the strong foundations of institutional strengths derived from its deep consumer insights, cutting-edge 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. ITC's ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services.

### **'Nation First: Sab Saath Badhein'**

ITC's '**Nation First: Sab Saath Badhein**' philosophy underlines its core belief in building a globally competitive and profitable Indian enterprise that makes an exemplary contribution to creating larger societal value. As a company deeply rooted in Indian soil, ITC is inspired by the opportunity to serve larger national priorities. A global exemplar in Sustainability, ITC is the only enterprise in the world of comparable dimensions to be carbon-positive, water-positive and solid waste recycling positive for over a decade now. ITC has created over 6 million sustainable livelihoods. Nearly 42% of the total energy consumed in ITC is from renewable sources. ITC's premium luxury hotels have the unique distinction of being LEED Platinum certified.

ITC's Well-being Out of Waste programme (WOW) that comprehensively addresses the problem of solid waste management, of which plastic waste is a significant component, provides an end-to-end sustainable and scalable solution that has reached out to over 1.8 crores citizens in the country.

Together with farmers and local communities, ITC has implemented largescale interventions in climate-smart and sustainable agriculture that make a meaningful contribution to the Hon'ble Prime Minister's vision of doubling farmer incomes. Towards this, ITC has launched an integrated programme titled '**Baareh Mahine Hariyali**' (maximising farm utilisation over 12 months of the year) to give a new dimension to the complex task of multiplying farmer incomes. ITC is collaborating with NITI Aayog to progressively build capacity of 2 million farmers in 27 Aspirational Districts to help enhance rural incomes.

ITC is investing in India's future by building world-class consumer goods factories and iconic hospitality assets that will contribute to the country's competitive capacity. These investment projects underpin the Company's support to the Government's "Make in India" vision.

### **TRUSTEESHIP**

As professional managers, we are conscious that ITC has been given to us in "trust" by all our stakeholders. We will actualise stakeholder value and interest on a long term sustainable basis.

### **CUSTOMER FOCUS**

We are always customer focused and will deliver what the customer needs in terms of value, quality and satisfaction.

### **RESPECT FOR PEOPLE**

We are result oriented, setting high performance standards for ourselves as individuals and teams.

We will simultaneously respect and value people and uphold humanness and human dignity.

We acknowledge that every individual brings different perspectives and capabilities to the team and that a strong team is founded on a variety of perspectives.

We want individuals to dream, value differences, create and experiment in pursuit of opportunities and achieve leadership through teamwork.

### **EXCELLENCE**

We do what is right, do it well and win. We will strive for excellence in whatever we do.

### **INNOVATION**

We will constantly pursue newer and better processes, products, services and management practices.

### **NATION ORIENTATION**

We are aware of our responsibility to generate economic value for the Nation. In pursuit of our goals, we will make no compromise in complying with applicable laws and regulations at all levels.

### **CORPORATE STRATEGIES**

ITC is a board-managed professional company, committed to creating enduring value for the nation and the shareholder. It has a rich organisational culture rooted in its core values of respect for people and belief in empowerment. Its philosophy of all-round value creation is backed by strong corporate governance policies and systems.

### **ITC'S CORPORATE STRATEGIES ARE:**

- Create multiple drivers of growth by developing a portfolio of world class businesses that best matches organisational capability with opportunities in domestic and export markets.
  - Continue to focus on the chosen portfolio of FMCG, Hotels, Paper, Paperboards & Packaging, Agri Business and Information Technology.
  - Benchmark the health of each business comprehensively across the criteria of Market Standing, Profitability and Internal Vitality.
  - Ensure that each of its businesses is world class and internationally competitive.
  - Enhance the competitive power of the portfolio through synergies derived by blending the diverse skills and capabilities residing in ITC's various businesses.
  - Create distributed leadership within the organisation by nurturing talented and focused top management teams for each of the businesses.
  - Continuously strengthen and refine Corporate Governance processes and systems to catalyse the entrepreneurial energies of management by striking the golden balance between executive freedom and the need for effective control and accountability.
-

**BINGO!**

**MANGALDEEP**



**Savlon+**

**fiama**



**AASHIRVAAD**

**Sunfeast**

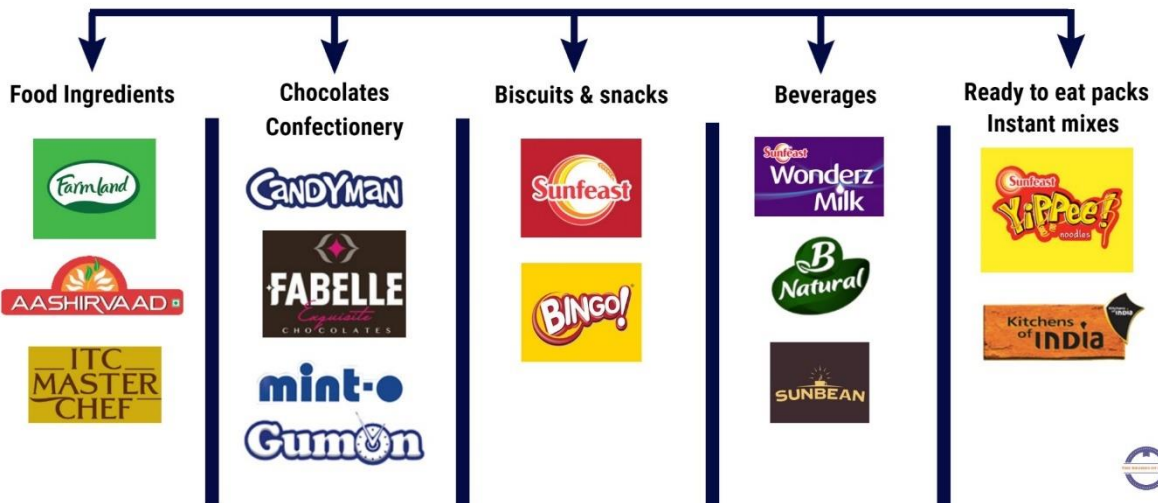


**Sunfeast Yipppee!**





ITC Limited  
Food Brands



# ITC - All the brands of this Behemoth!



 <b>BINGO!</b> Potato Chips & Finger Snacks	 <b>Yippee!</b> Instant Noodles & Pasta	 <b>Kitchens of India</b> Ready To Eat Gourmet Cuisine, Masala Mixes, Chutneys & Conserves	 <b>ITC MASTER CHEF</b> Blended Spices, Frozen Prawns, Snacks & Kebabs	 <b>AASHIRVAAD</b> Atta, Ghee, Salt, Spices, Ready To Eat Meals & Instant Mixes	 <b>ESSENZA DI WILLS</b> Fine Fragrances, Deodorants, Hair and Body Shampoos & Bathing Bars
 <b>Sunfeast</b> Biscuits, Cookies & Cakes	 <b>Superia</b> Soaps & Shampoos	 <b>fiama</b> Shower Gels, Bathing Bars, Handwashes, Essential Oils, Body Oils and Bathing Accessories	 <b>HomeLites</b> Homelites matches		
 <b>ENGAGE</b> Colognes, Deodorants & Perfume Sprays	 <b>Vivel</b> Soaps & Body Wash	 <b>MADGALDEEP</b> Incense Sticks (Agarbattis) & Dhooop	 <b>AIM</b> Safety Matches		
 <b>nim wash</b> Nimwash - Vegetable & Fruit Wash	 <b>Shower to Shower</b> Prickly Heat Powder	 <b>CHARMIS</b> Cream	 <b>classmate</b> Notebooks, Pens, Pencils, Art Stationery, Geometry Boxes & Scholastic Products	 <b>WLS</b> Formal Wear, Casual Wear, Evening Wear & Designer Wear	 <b>Paperkraft</b> Premium Notebooks, Diaries, Notepads & Pens
 <b>SUNBEAN</b> Gourmet Coffee & Beaten Coffee	 <b>CANDYMAN</b> Confectionery	 <b>B Natural</b> Juices & Beverages	 <b>GumOn</b> Gums	 <b>DERMAFIQUE</b> Premium Skin Care	 <b>nimyle</b> Nimyle Herbal Floor Cleaner
 <b>JST Investments</b> Data Taken from FY2020 Annual Report.	 <b>Farmland</b> Potatoes	 <b>mint-o</b> Confectionery	 <b>FABELLE</b> Luxury Chocolate	 <b>Wonderz Milk</b> Dairy Beverages	 <b>Savlon</b> Antiseptic Liquid, Soaps & Handwashes

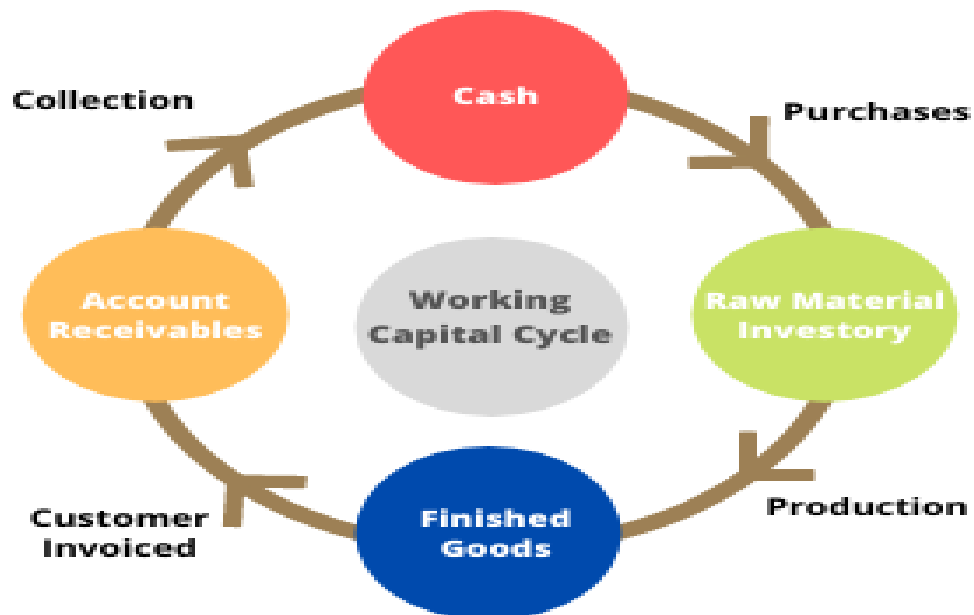






## OPERATING CYCLE OF WORKING CAPITAL

The working capital cycle reserves to the length of time between the firm paying cash for materials etc., this working capital also known as operating cycle. Working capital cycle or operating cycle indicates the length of time between companies paying for materials entering into stock and receiving the cash from sales of finished goods. The operating cycle (Working Capital) consists of the following events.



### **Understanding Working Capital**

- Working capital is the difference between a company's current assets and its current liabilities.
- Current assets include cash, accounts receivable, and inventories.
- Current liabilities include accounts payable, short-term borrowings, and accrued liabilities.

- Some approaches may subtract cash from current assets and financial debt from current liabilities.

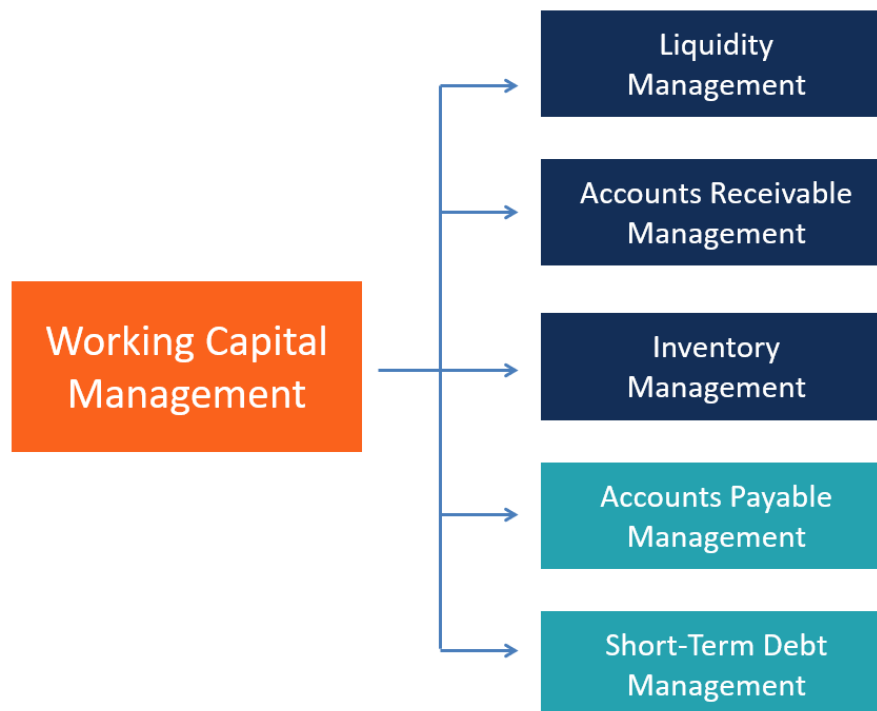
### **Why Working Capital Management is Important**

- Ensuring that the company possesses appropriate resources for its daily activities means protecting the company's existence and ensuring it can keep operating as a going concern. Scarce availability of cash, uncontrolled commercial credit policies, or limited access to short-term financing can lead to the need for restructuring, asset sales, and even liquidation of the company.

### **Theoretical background**

- **Current Ratio**

The current ratio is a type of liquidity ratio which is established by dividing total



current assets of a company with its total current liabilities. It shows the amount of current assets available with a company for every unit of current liability payable

This ratio helps to determine the short-term financial liquidity of a company which indicates how easily the company can meet its short-term financial obligations. It also aids to find out the relationship between current assets and current liabilities of a business.

**Formula of current ratio:-**

$$\text{Current ratio} = \text{Current assets} / \text{Current liabilities}$$

Current Assets: It includes Cash & its equivalents, B/R, Inventory, Marketable Securities, Debtors, Loans and Advances, Prepaid Expenses, etc.

Current Liabilities: It includes Creditors, B/P, Outstanding Expenses, Provisions and Short-Term Loans etc.

**Quick ratio**

Quick ratio, also known as the acid test ratio measure the ability of the company to repay the short term debts with the help of the most liquid assets and it is calculated by adding total cash and equivalents, accounts receivable and the marketable investments of the company and then dividing it by its total current liabilities.

Formula of quick ratio

$$\text{Quick ratio} = \text{Quick assets} / \text{Current liabilities}$$

Quick assets: cash and cash equivalents + account receivable

Current liabilities: current liabilities- bank overdraft

**Receivable turnover ratio**

Accounts receivable turnover is the number of times per year that a business collects its average accounts receivable. The ratio is used to evaluate the ability of a company to efficiently issue credit to its customers and collect funds from them in a timely manner. It is one of the most important measures of collection efficiency

Formula of receivable turnover ratio:

$$\text{Receivable turnover ratio} = \text{Credit sales} / \text{Average Receivable}$$

Credit sales: revenue generated from credit sales minus any returns from customers

Average receivable: add the value of account receivable at the beginning of the period and divide the sum by two.

### **Debtors Collection Period**

The term average collection period refers to the amount of time it takes for a business to receive payments owed by its clients in terms of accounts receivable (AR). Companies use the average collection period to make sure they have enough cash on hand to meet their financial obligations.

Formula of Debtors collection period:

**Average Collection Period = Days in a year / Receivable turnover ratio**

### **Payable turnover ratio**

The accounts payable turnover ratio, also known as the payables turnover or the creditor's turnover ratio, is a liquidity ratio that measures the average number of times a company pays its creditors over an accounting period. The ratio is a measure of short-term liquidity, with a higher payable turnover ratio being more favourable

Formula of payable turnover ratio:

**Payable turnover ratio = Net credit purchase / Average accounts payable**

Net credit purchase: cost of goods sold and ending inventory

Average accounts payable: add the value of account payable at the beginning of the period and divide the sum by two.

### **Creditors Payment Period**

The average payment period is the measure of days the business takes to pay off accounts payable. It's a solvency ratio and indicates business practice to satisfy obligations that fall due. The length of the average payment period is dependent on multiple factors including business policies, liquidity, adequacy of financial planning, and pattern of negotiation with the suppliers.

Formula of Creditors Payment Period:

**Average Payment Period = Days in A year / Payable Turnover Ratio**

### **Inventory turnover ratio**

The inventory turnover ratio, also known as the stock turnover ratio, is an efficiency ratio that measures how efficiently inventory is managed. The inventory turnover ratio formula is equal to the cost of goods sold divided by total or average inventory to show how many times inventory is “turned” or sold during a period. The ratio can be used to determine if there are excessive inventory levels compared to sales.

### **Inventory Ratio = Cost of goods sold / Average inventory**

Cost of goods sold: It includes material cost, direct divided by total or average inventory to show how many times inventory is “turned” or sold during a period.

Average inventory: Generally, inventory is categorized as raw materials, work-in-progress and finished goods.

### **Inventory Holding Period**

Inventory turnover is a financial ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand.

Formula of inventory holding period:

### **Inventory Holding Period = Days in a year / Inventory turnover ratio**

### **Working capital turnover Ratio**

Working capital turnover is a ratio that measures how efficiently a company is using its working capital to support sales and growth. Also known as net sales to working capital, working capital turnover measures the relationship between the funds used to finance a company's operations and the revenues a company generates to continue operations and turn a profit.

### **Working Capital Turnover Ratio = Sales / Average Working Capital**

Sales: net annual sales are the sum of a company's gross sales minus its returns, allowances, and discounts over the course of a year.

Average working capital: is Average working capital is a measure of a company's short-term financial health and its operational efficiency.

## **MANAGEMENT TEAM**



### **Sanjiv Puri**

Chairman & Managing Director

Sanjiv Puri (60) is the Chairman & Managing Director of ITC Limited.

Puri was appointed as a Wholetime Director on the Board of ITC with effect from December 6, 2015, Chief Executive Officer in February 2017 and re-designated as the Managing Director in May 2018. He was appointed as the Chairman effective May 13, 2019. An alumnus of the Indian Institute of Technology, Kanpur, and Wharton School of Business, USA, he has recently been conferred an Honorary Doctorate by the XIM University, Bhubaneswar.

Puri joined ITC in January 1986. During his career of over three decades at ITC and its subsidiaries, he has held several business leadership positions and also handled a wide range of responsibilities in manufacturing, operations and information & digital technology. Puri served as the Chief Operating Officer of ITC between July 2016 and January 2017, and prior to that as President - FMCG Businesses since December 2014. Earlier, he was the Divisional Chief Executive of the Tobacco Division since 2009, with additional responsibility for the Company's Trade Marketing & Distribution Vertical. He led ITC Infotech India Limited ('I3L'), a wholly owned subsidiary of ITC, as its Managing Director from May 2006 to August 2009. Presently, Puri is the Chairman of I3L and its wholly owned subsidiaries in the UK and the USA. Puri served between October 2001 and April 2006 as the Managing Director of Surya Nepal Private Limited, a joint venture subsidiary company of ITC in Nepal, and is presently its Chairman.





## **Nakul Anand**

Executive Director

Nakul Anand (65) was appointed as a Wholetime Director on the Board of ITC effective January 3, 2011. He oversees the Hospitality, Travel and Tourism Businesses of ITC.

An Economics Honours Graduate from Delhi University with an AMP Degree from the Bond University, Australia, Anand joined erstwhile ITC Hotels Limited as a Management Trainee in 1978. He has also served as the Managing Director of that company from 2003 to 2005.

In a career that spans more than four decades, Anand has been acknowledged for his vision, commitment and for his role as a thought leader to the tourism and hospitality industry. Building on ITC's ethos as an exemplar in sustainability, he has passionately advocated the imperative for a sustainable business model of hoteliering. Leveraging the significant learnings of sustainable excellence within ITC, he has led the team at ITC Hotels to pioneer the concept of 'Responsible Luxury' in the hospitality industry. This commitment has won global recognition for ITC Hotels as the largest chain of hotels in the world having the maximum number of LEED® Platinum certified properties as per the stringent norms of the U.S. Green Building Council.

Anand has been a past President of the Hotel Association of India and past Chairman of the CII National Tourism Committee. He was also a Member of the India-Sri Lanka CEOs Forum, and Council Member & Executive Committee Member of the National Culture Fund, Ministry of Culture, Government of India



## **Sumant Bhargavan**

Executive Director

Sumant Bhargavan (58) was appointed as a Wholetime Director on the Board of ITC effective November 16, 2018. He oversees the Paperboards, Paper and Packaging as well as the Personal Care and Education & Stationery Products Businesses of the Company, and also the Trade Marketing & Distribution ('TM&D') Vertical. Sumant, an alumnus of the National Institute of Technology, Durgapur, joined ITC in January 1986, and has handled a wide range of responsibilities across several businesses.

Prior to his appointment as a Director on the Board of ITC, he was President - FMCG Businesses since April 2016. Earlier, he was the Divisional Chief Executive of the Tobacco Division. He also held additional responsibility of the TM&D Vertical as its Chief Executive for a period of one year from October 2016. He spent his first 19 years with ITC in Manufacturing operations of the Tobacco Division and has worked in four production units as well as at the Head Office. In October 2004, he moved to the Foods Business and set up the Snack Food category under the brand name 'Bingo!'. He has led ITC Infotech India Limited, a wholly owned subsidiary of ITC, as its Managing Director from September 2009 to October 2014. He has also been on the Boards of ITC Infotech's wholly owned subsidiaries in the UK and the USA.

Sumant has also been a Director on the Board of The Tobacco Institute of India. Presently, he serves as a Member of the CII Eastern Region Council. He is also a Director on the Board of Surya Nepal Private Limited, a joint venture subsidiary company of ITC in Nepal, and a Member of the General Committee of The Tollygunge Club Limited.



## **Supratim Dutta**

Executive Director & Chief Financial Officer

Supratim Dutta (55) was appointed as a Wholetime Director on the Board of ITC effective July 22, 2022. He is, inter alia, responsible for Finance, Accounting, Internal Audit & IT Functions and also for the Investment Subsidiaries of the Company. He continues to be the Chief Financial Officer ('CFO') of the Company.

A qualified Chartered Accountant and Cost Accountant, Mr. Dutta joined the Company in November 1990. In a career spanning over three decades at ITC, he has held various senior roles in the finance function, both at the business and corporate level. Before becoming the CFO, he held the position of Corporate Financial Controller of the Company responsible for Accounts, Taxation and Finance operations, and prior to that, he was Executive Vice President - Corporate Finance in charge of the Corporate Treasury, Strategic Planning and Corporate Planning functions of the Company. He has handled various aspects of finance including Planning, Treasury, M&A, Accounting, Taxation, IT, Investor Relations and business strategy. He is also a Member of the CII National Committee on Financial Reporting and of the World Business Council for Sustainable Development CFO Network.

He is presently on the Boards of ITC Infotech India Limited, Surya Nepal Private Limited, Russell Credit Limited and Welcome Hotels Lanka (Private) Limited, amongst others.

# **NEED OF THE STUDY**

## **NEED OF THE STUDY**

- To enhance the wealth generating capability of the enterprise in a globalising environment
- Delivering superior and sustainable stakeholder value.
- Enhance market share growth.
- Improvement in capital allocation.

# **OBJECTIVES OF THE STUDY**

## **OBJECTIVES OF THE STUDY**

- To understand liquidity position in the organisation using working capital related ratios.
- To study the receivables turnover ratios to know how quickly company gets paid by its customers.
- To study the payable turnover ratio to know how company can pay off its account payable.
- To study working capital management process.
- To study how working capital management focuses on the maintenance of sufficient balance between a company's current assets and current liabilities.

# **SCOPE OF THE STUDY**



## **SCOPE OF THE STUDY**

- Scanning the environment quickly and methodically to explore new technologies.
- Establishing a new process that allows high – potential ideas to rise and weak ideas to sink.
- Bringing in the right talent and partnering with other companies to develop solutions.
- Fostering communication, collaboration and community building.
- Creating the right team structure and ownership across levels to promote demand and idea generation from across the organization.

# **LIMITATIONS OF THE STUDY**

## **LIMITATIONS OF THE STUDY**

- High Proportion of Tobacco Product Revenues.
- Tobacco Products Association has an impact on the brand
- ITC is still dependent on its tobacco sales, and people have cheaper alternatives and other brands.
- The hotel industry has not been able to build an enormous market share.

# **LITERATURE REVIEW**

## **LITERATURE REVIEW**

1. **Chatterjee Debabrata (2010)** did a comparative study on Corporate Governance and Corporate Social Responsibility – The case of Three Indian Companies ITC Ltd., Reliance Industries Ltd., and Infosys Technologies Ltd. He concluded that though the corporate governance practices are exemplary, there exist differences in the way the companies adopt the corporate governance practices. He rated Infosys better than the other two companies.

2. **Mohamad Wan Adilah Wan Izyani , Sulong Zunaidab (2010)** did a comprehensive study on Corporate Governance Mechanisms and Extent of Disclosure: Evidence from listed companies in Malaysia has revealed that companies with a higher percentage of family members, on the board, significantly have lower level of disclosure in annual report. It has been suggested that regulators like Bussa Malaysia and Securities Commission should review and impose a minimum level of family members on the board and Malaysian regulators should implement the same guidelines.

3. **Thrikawala Sujani, et. al (2011)** in their research Corporate Governance – performance relationship in Microfinance Institutions suggested that it is important to determine those corporate governance practices that have great impact on MFI performance. It has also made an advanced contribution to the understanding of corporate governance practices in MFI, identifying and developing an appropriate governance structure. It has also provided guidance for selecting directors for MFI Boards based on their academic and professional qualifications.

# **RESEARCH METHODOLOGY**

## **RESEARCH METHODOLOGY**

### **What is Research Methodology?**

- A Voyage of Discovery, A journey, An Attitude, An Experience, A Methods of Critical Thinking, A Careful critical Enquiry in seeking facts for principles.
- An Art of scientific investigation
- A Systemized effort to gain new knowledge, a movement from known to unknown.

### **Types of Research Methodology**

#### **• Exploratory Research**

Exploratory research is a type of research conducted for a problem that has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subject. It should draw definitive conclusion only with extreme caution. Given its fundamental nature, exploratory research often concludes that a perceived problem does not actually exist.

#### **• Constructive Research**

Constructive research is perhaps the most common computer science research method. This type of approach demands a form of validation that doesn't need to be quite as empirically based as in other types of research like exploratory research.

#### **• Empirical Research**

Empirical research is a way of gaining knowledge by mean of direct observation or experience, Empirical evidence (the record of one's direct observations or experiences) can be analyzed quantitatively or qualitatively.

## **Methods of Research Methodology**

These are two types of Research Methodology

### **• Qualitative Method**

Qualitative research helps to gain insight into people's behaviors, value systems, motivations, culture or lifestyles, and how these attributes have a role to play in decision and policy making, communicating, and conducting research.

## **Approaches of Qualitative Research**

**Direct Observation:** In direct observation method, there is no participatory involvement on the observer's part. The observer is more a part of the background and is as unobtrusive as possible. As there is no direct participation, the observations are more detached. The researcher is watching, and making notes for future use.

**Interviews:** Interviewing involves direct interaction between the researcher and a respondent or group.

There are two types of interviews; structured and unstructured.

Structured interviews are carefully worded questionnaires and don't allow much scope to deviate from it.

Unstructured interviewing is more informal, as compared to the former. It allows more exploration and deviation in its approach, which is useful for exploring a subject more broadly.

**Participant Observation:** This method for qualitative research is highly dependent on the researcher's ability to blend and extract information by being part of an inventor group. This method



requires the researcher to become an active participant, while observing. It aims to gain a close insight of individuals or social groups and their practices through an intensive participation with them, in their natural environment, and often requires months or years to collect the required data for analysis.

• **Quantitative Method**

In the social sciences, quantitative research refers to the systematic empirical investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/ or hypothesis pertaining to phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships.

Quantitative research is generally made using scientific methods, which can include:

- The generation of models, theories and hypotheses.
- The development of instrument and methods for measurement.
- Experimental control and manipulation of variables.
- Collection of empirical data.
- Modeling and analysis of data.
- Evaluation of results

# **HYPOTHESIS**

**HYPOTHESIS**

**H0** :- Working Capital Ratio at **ITC** company does not leads to profitability.

**H1** :- Working Capital Ratio at **ITC** company leads to profitability.

# **RESEARCH DESIGN**

## **RESEARCH DESIGN**

A research design is the specification of methods and procedure for acquiring the information needed. It is over – all operation patterns or framework of the project that stipulates what information is to be collected from which source by what procedure, it is also refers to the blue print of the research process.

### **SAMPLE METHOD:-**

This method is used in Random Method.

Random Method :- Random sampling is a part of the sampling technique in which each sample has an equal probability of being chosen. A sample chosen randomly is meant to be unbiased representation of the total population.

### **Primary Data**

1. Primary data would be collected during the course of asking questions by performing surveys.
2. Primary data would be either through respondent either through questionnaire or through personal interview.
3. I had collected the data through both of them.

### **Secondary Data**

- 1.The data will be already available in the form of print material, website, journals etc.
2. Data is collected from some Magazines, Newspapers, Websites and course material for that purpose.

# **SOURCES OF DATA**

## **SOURCES OF DATA**

Research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. It is an academic activity and as such the term should be used in a technical sense. Research is, thus an original contribution to the existing stock of knowledge making for its advancement. It is as per suit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through objective & systematic method of finding solution to a problem is “research”.

### **COLLECTION OF DATA**

- Primary Data
- Secondary Data

#### **Primary Data**

1. Primary data would be collected during the course of asking questions by performing surveys.
2. Primary data would be either through respondent either through questionnaire or through personal interview.
3. I had collected the data through both of them.

#### **Secondary Data**

1. The data will be already available in the form of print material, website, journals etc.
2. Data is collected from some Magazines, Newspapers, Websites and course material for that purpose.
3. Data is collected from the website – [www.ITC.com](http://www.ITC.com)

<b>BALANCE SHEET OF ITC (in Rs. Cr.)</b>	<b>MAR 22</b>	<b>MAR 21</b>	<b>MAR 20</b>	<b>MAR 19</b>	<b>MAR 18</b>
	12 mths	12 mths	12 mths	12 mths	12 mths
<b>EQUITIES AND LIABILITIES</b>					
<b>SHAREHOLDER'S FUNDS</b>					
Equity Share Capital	1,232.33	1,230.88	1,229.22	1,225.86	1,220.43
<b>TOTAL SHARE CAPITAL</b>	<b>1,232.33</b>	<b>1,230.88</b>	<b>1,229.22</b>	<b>1,225.86</b>	<b>1,220.43</b>
Reserves and Surplus	58,850.91	56,067.22	60,777.76	54,725.99	50,179.64
<b>TOTAL RESERVES AND SURPLUS</b>	<b>58,850.91</b>	<b>56,067.22</b>	<b>60,777.76</b>	<b>54,725.99</b>	<b>50,179.64</b>
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>61,399.57</b>	<b>59,004.62</b>	<b>64,029.16</b>	<b>57,949.79</b>	<b>51,400.07</b>
<b>NON-CURRENT LIABILITIES</b>					
Long Term Borrowings	4.54	5.28	5.63	7.89	11.13
Deferred Tax Liabilities [Net]	1,667.14	1,727.73	1,617.65	2,044.14	1,917.94
Other Long Term Liabilities	356.29	511.71	349.72	41.90	73.66
Long Term Provisions	186.87	157.07	143.79	132.64	121.91
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,214.84</b>	<b>2,401.79</b>	<b>2,116.79</b>	<b>2,226.57</b>	<b>2,124.64</b>
<b>CURRENT LIABILITIES</b>					
Short Term Borrowings	0.74	0.35	0.00	0.00	0.00
Trade Payables	4,223.40	4,119.31	3,446.74	3,368.28	3,382.28
Other Current Liabilities	7,198.35	5,885.24	5,524.73	6,228.04	5,435.08
Short Term Provisions	55.60	169.05	117.94	25.24	39.24



<b>TOTAL CURRENT LIABILITIES</b>	<b>11,478.09</b>	<b>10,173.95</b>	<b>9,089.41</b>	<b>9,621.56</b>	<b>8,856.60</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>75,092.50</b>	<b>71,580.36</b>	<b>75,235.36</b>	<b>69,797.92</b>	<b>62,381.31</b>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Tangible Assets	20,271.99	19,216.75	19,612.74	17,945.65	15,120.00
Intangible Assets	2,584.42	2,581.52	519.45	540.75	445.99
Capital Work-In-Progress	2,442.34	3,329.97	2,776.31	3,391.47	5,016.85
Other Assets	364.20	376.56	385.36	0.00	0.00
<b>FIXED ASSETS</b>	<b>25,686.79</b>	<b>25,508.30</b>	<b>23,297.75</b>	<b>21,887.76</b>	<b>20,591.57</b>
Non-Current Investments	15,657.32	12,950.38	13,455.59	14,071.45	13,493.77
Deferred Tax Assets [Net]	0.00	0.00	0.00	0.00	0.00
Long Term Loans And Advances	5.06	2.37	3.31	6.21	7.40
Other Non-Current Assets	2,801.32	1,304.07	1,971.80	4,263.54	3,785.57
<b>TOTAL NON-CURRENT ASSETS</b>	<b>44,150.49</b>	<b>39,765.12</b>	<b>38,728.45</b>	<b>40,228.96</b>	<b>37,878.31</b>
<b>CURRENT ASSETS</b>					
Current Investments	11,624.95	14,046.71	17,175.02	12,506.55	9,903.45
Inventories	9,997.77	9,470.87	8,038.07	7,587.24	7,237.15
Trade Receivables	1,952.50	2,090.29	2,092.00	3,646.22	2,357.01
Cash And Cash Equivalents	3,877.94	4,001.53	6,843.27	3,768.73	2,594.88
Short Term Loans And Advances	5.73	2.77	4.87	5.02	4.15
Other Current Assets	3,483.12	2,203.07	2,353.68	2,055.20	2,406.36

<b>TOTAL CURRENT ASSETS</b>	<b>30,942.01</b>	<b>31,815.24</b>	<b>36,506.91</b>	<b>29,568.96</b>	<b>24,503.00</b>
<b>TOTAL ASSETS</b>	<b>75,092.50</b>	<b>71,580.36</b>	<b>75,235.36</b>	<b>69,797.92</b>	<b>62,381.31</b>
<b>OTHER ADDITIONAL INFORMATION</b>					
<b>CONTINGENT LIABILITIES, COMMITMENTS</b>					
Contingent Liabilities	1,919.98	2,339.15	2,357.74	2,491.31	2,257.52
<b>CIF VALUE OF IMPORTS</b>					
Raw Materials	2,456.00	1,366.00	1,503.00	1,947.00	1,506.00
Stores, Spares And Loose Tools	0.00	0.00	0.00	0.00	0.00
Trade/Other Goods	0.00	0.00	0.00	0.00	0.00
Capital Goods	300.00	298.00	382.00	426.00	532.00
<b>EXPENDITURE IN FOREIGN EXCHANGE</b>					
Expenditure In Foreign Currency	0.00	0.00	0.00	0.00	0.00
<b>REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS</b>					
Dividend Remittance In Foreign Currency	--	--	--	--	--
<b>EARNINGS IN FOREIGN EXCHANGE</b>					
FOB Value Of Goods	11,472.00	5,934.00	3,506.00	3,828.00	3,480.00
Other Earnings	--	--	--	--	--
<b>BONUS DETAILS</b>					
Bonus Equity Share Capital	1,113.14	1,113.14	1,113.14	1,113.14	1,113.14

<b>NON-CURRENT INVESTMENTS</b>					
Non-Current Investments Quoted Market Value	11,205.72	9,984.03	10,592.71	11,218.74	11,096.58
Non-Current Investments Unquoted Book Value	4,705.95	3,465.92	3,091.69	2,882.13	2,432.64
<b>CURRENT INVESTMENTS</b>					
Current Investments Quoted Market Value	4,483.77	4,302.03	3,122.85	4,624.25	1,792.59
Current Investments Unquoted Book Value	7,157.66	9,774.63	14,061.11	7,885.76	8,111.65

# **DATA ANALYSIS & INTERPRETATION**

## DATA ANALYSIS & INTERPRETATION

### Questionnaire – ITC with respect to its FMCG division

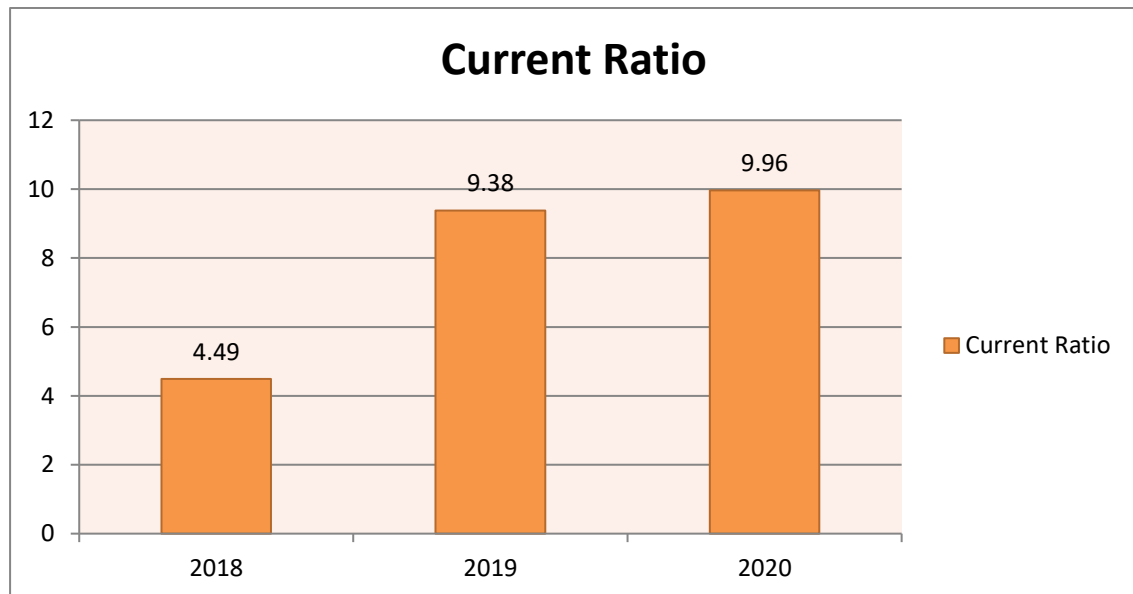
#### 1) CURRENT RATIO

Formula of current ratio

Current ratio = Current Assets / Current Liabilities

Table showing current ratio of current assets and current liability

Year	2018	2019	2020
Current Assets	6225790	4739895	5412291
Current Liabilities	1384893	505238	542947
Current Ratio	4.49	9.38	9.96



#### INTERPRETATION:

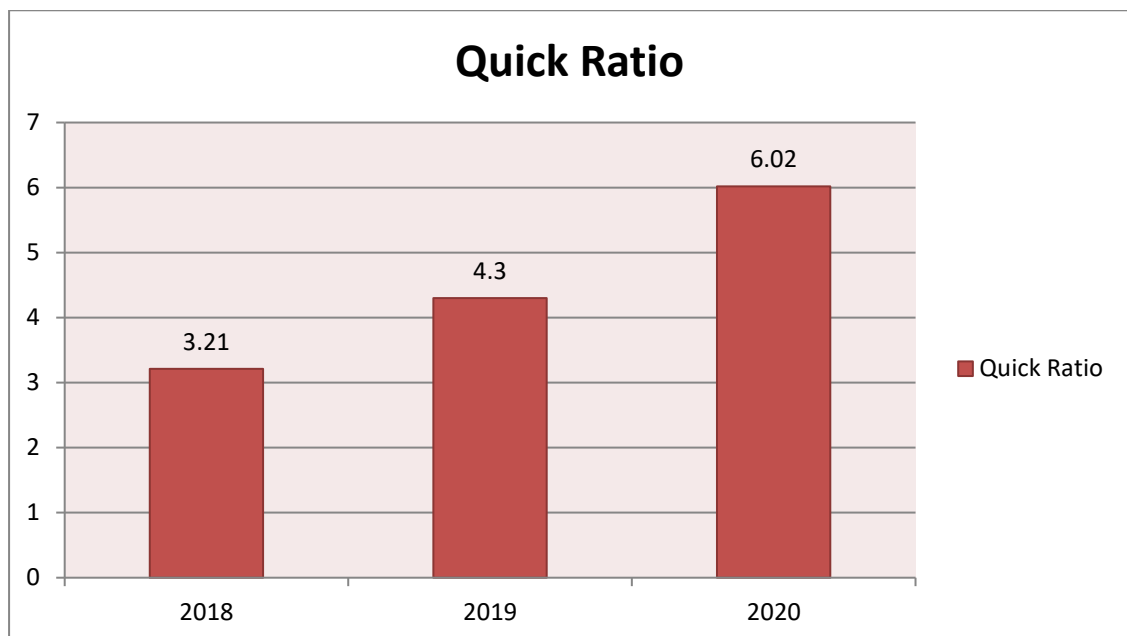
The ideal Ratio of current ratio is between 1.5 and 3 is generally considered healthy though in this company last three years current ratio is more than the ideal Ratio the impact of this, the company is not efficiently using its current assets or its short term financing facilities, comparison between these three years ratio of 2018 ratio indicates little healthy as compare to others.

## 2) Quick Ratio

Formula of Quick Ratio

Quick Ratio = Quick Assets / Current Liabilities

Year	2018	2019	2020
Quick Assets	4450340	2176920	3273066
Current Liabilities	1384893	505238	542947
Quick Ratio	3.21	4.30	6.02



### INTERPRETATION:

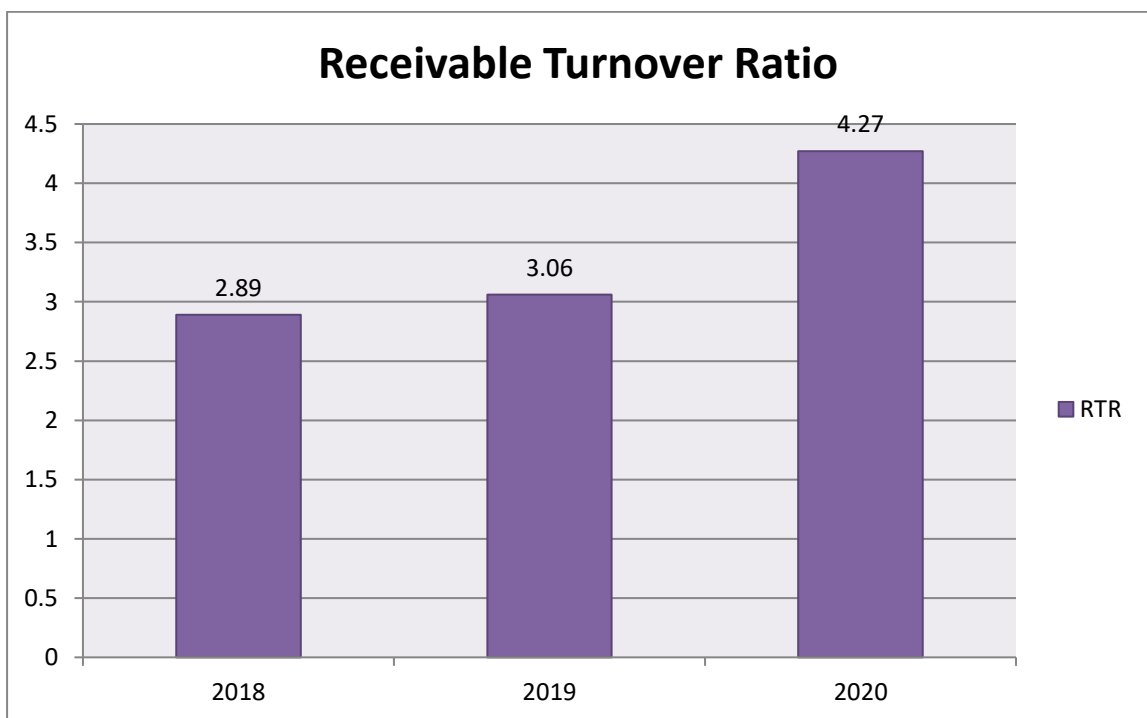
The ideal ratio is considered to be 1:1 so that company is able to pay off all quick assets with no liquidity problems but in this company last three years quick ratio is more than the ideal ratio, a quick ratio is too high means that some of your money is not being put to work, It indicates that the company is fully equipped with exactly enough assets to be instantly liquidated to pay off its current liabilities.

### **3) Receivable turnover ratio**

Formula of Receivable turnover ratio

Receivable turnover ratio = Credit sales / Average Receivable

Year	2018	2019	2020
Credit Sales	7356428	8945740	9200650
Average R	2542290	2918427	2152537
RTR	2.89	3.06	4.27



#### **INTERPRETATION:**

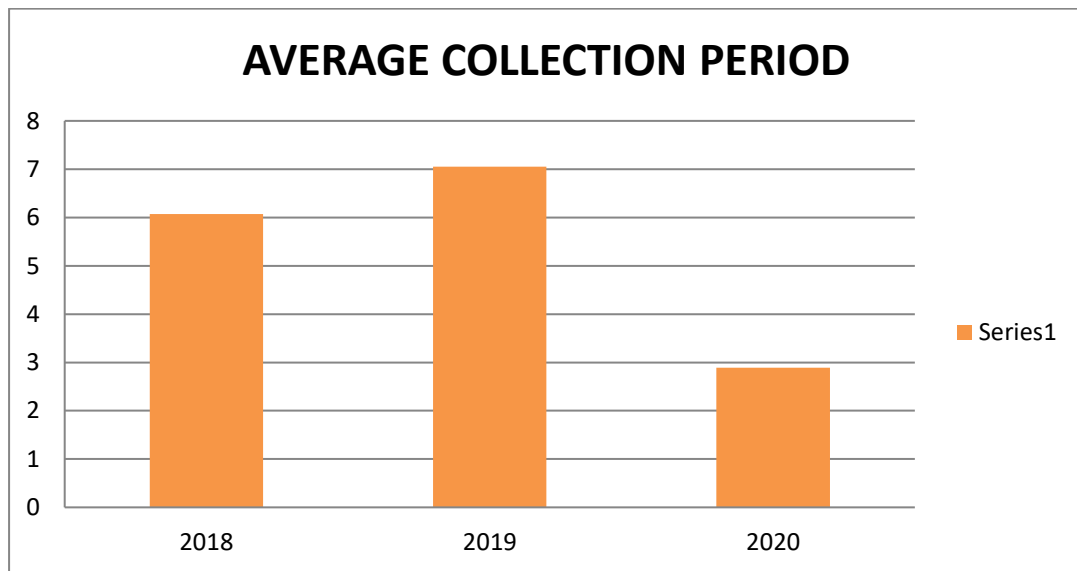
According to this analysis above ratio indicates, a low accounts receivable turnover ratio suggests that the company's collection process is poor in the year 2018 and in the year 2020 company collection process is at good level. Company should collect funds owed from clients timely.

#### **4)Debtors collection period in Days Ratio**

Formula of debtor's collection period

Average Collection Period = Days in a year / Receivable turnover ratio

Year	Days in a year	Debtors turnover ratio	Debtors collection period
2018	365	2.89	126 days
2019	365	3.06	119 days
2020	365	4.27	85 days



#### **INTERPRETATION:**

According to this analysis the collection period is calculated in days that mean average collection period for the year 2018, 2019 and 2020 is about 180 to 130 days it is high when you consider that company should try to collect payment within 30 to 45 days Company may change their credit policy period to get collections on early basis.

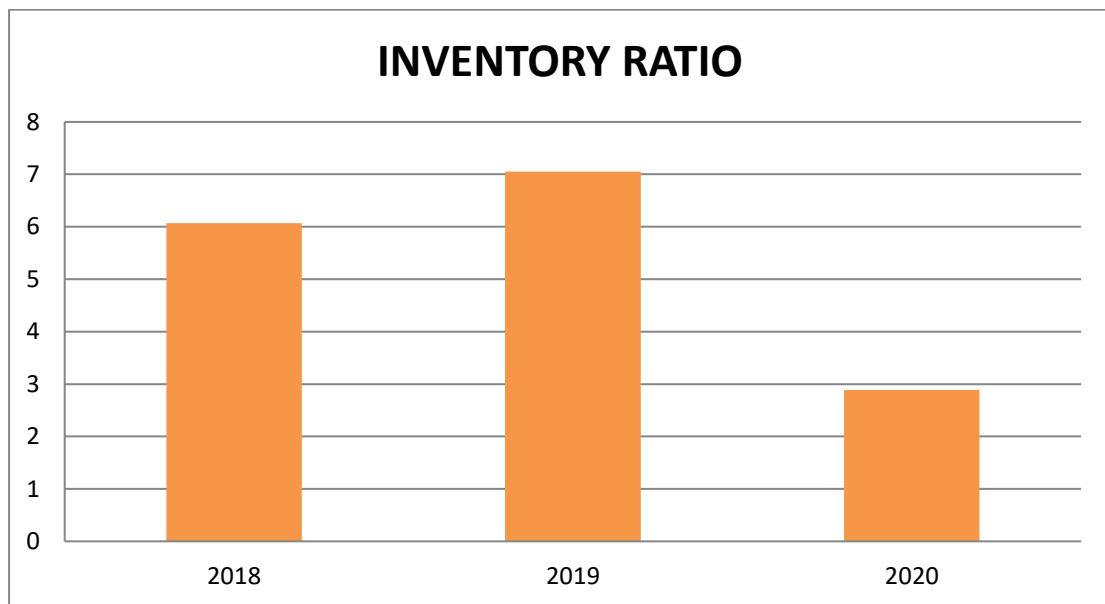


## **7) Inventory Ratio**

Formula of inventory Ratio

Inventory Ratio = Cost of goods sold / Average inventory

Year	2018	2019	2020
<b>Cost of goods sold</b>	17550541	15311930	11650757
<b>Average Inventory</b>	2890236	2169212	4027835
<b>Inventory Ratio</b>	6.07	7.05	2.89



### **INTERPRETATION:**

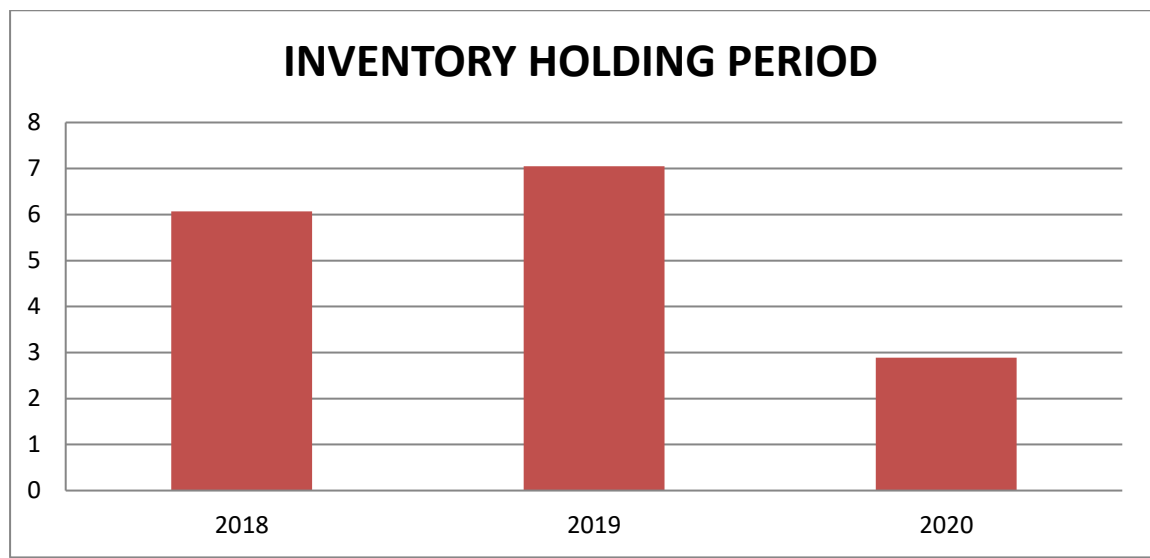
For most industries, the ideal inventory ratio is between 5 and 10 thus above the calculations it shows the healthy ratio of 2018 and 2019 but in 2020 it shows less ratio that is 2.89 it is adverse effect of COVID 19 pandemic, the demand was low as compare to past years and that shows the overstocking.

## **8) Inventory Holding Period**

Formula of inventory holding period:

Inventory Holding Period = days in year / Inventory Turnover Ratio

Year	Days in year	Inventory turnover ratio	Inventory holding period
2018	365	6.07	60 days
2019	365	7.05	51 days
2020	365	2.89	126 days



### **INTEPRETATION:**

As shown in the above graph the inventory convergent period is fluctuating as we seen in the year of 2018 it was 60 days and it decrease to 51 days in the year of 2019 but in the year of 2020 it increased to 126 this is because of overstocking in the year of 2020

# **HYPOTHESIS TESTING**

## **HYPOTHESIS TESTING**

**H0** :- Working Capital Ratio at **ITC** company does not leads to profitability.

**H1** :- Working Capital Ratio at **ITC** company leads to profitability.

### **INTERPRETATION :-**

From the said research study it is found that from the above hypothesis , Alternate hypothesis i.e. H1 :- working capital ratio at ITC company does not leads to profitability is found to be true Hence accepted whereas null hypothesis i.e. H0 :- working capital ratio at ITC company does not leads to profitability is not found to be true hence rejected.

# **FINDINGS**

**FINDINGS**

1. Company is not efficiently using its current assets or its short term financing facilities
2. The company is fully equipped with exactly enough assets to be instantly liquidated to pay off its current liabilities.
3. Company collection process is at good level. Company should collect funds owed from clients timely
4. The year 2018 it was 60 days and it decrease to 51 days in the year of 2019 but in the year of 2020 it increased to 126 this is because of overstocking in the year of 2020
5. For most of the industries during COVID – 19 Pandemic the demand was low because of overstocking in the year of 2020.

# **SUGGESTIONS**

**SUGGESTIONS**

- Company should collect funds owed from clients timely.
- Company may change their credit policy period to get collections on early basis.
- The Company is trying best at its level but has move prospect to improve so need identify prospective areas.



# **CONCLUSION**

## **CONCLUSION**

The study was conducted to evaluate the working capital management of ITC Ltd. On the basis of secondary data collected from the annual reports of the company for three years starting from 2019-2020 to 2021-2022 data was analyzed using ratio Analysis, cash flow statement and trend analysis. Through analyzing this data, it is found that working capital position of the company was fluctuating. Some ratios are up to the ideal ratio, and also most of the ratios are fluctuating.

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## **BIBLIOGRPAHY**

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