

A Study on Profitability Position of Sri Ganapathy Textiles Private Limited, Kongampalayam Erode Dt.

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Abstract

The main objective of this paper is to analyse the overall profitability position of the company using ratio analysis. It shows whether the firm is improving or worsening in past years. The secondary data is used for the entire study i.e. the last five years annual reports of Sri Ganapathy textiles in Kongampalayam, Erode. This paper tells that not only about the financial position of the firm but also helps to identify the problems and offer suggestions to improve its performance. This paper focused on Financial Analysis, Ratio Analysis and Profitability position of the company.

Keywords: This paper focused on Financial Analysis, Ratio Analysis and Profitability position of the company.

1. INTRODUCTION

The textiles industry in India traditionally, after agriculture, is the only industry that has generated huge employment for both skills and unskilled labour in textiles. The textiles industry continues to be the second is one of the oldest industries in Indian economy. Indian textiles industry occupies a very important place in the largest in the world with a massive raw material and textiles manufacturing base. Ratio analysis is the process of determining and interpreting the various aspects of financial statements. Financial statements are generally insufficient to provide information to investors on their own, the numbers contained in those documents need to be put into context so that investors can better understand different aspects of the company's operations.

2. REVIEW OF LITERATURE

The review reflected that only very few studies are conducted so far dealing with some aspects of the industry that too most of them focus on the handloom sector or other handicrafts. Only two three studies found directly on hand printed textiles, were either converted printing of sanguine and barge, Rajasthan or ajar of Gujarat. Leaving few casual articles or scattered mention of the craft here and there, note a single research study was found on the hand printed textiles of Uttar Pradesh despite having a rich tradition and history of traditional printed textiles with many renowned existing centres. Articles or studies on age old tradition of Mathura block or hand printed textiles were completely absent though the

craft has been mentioned in the DIC and other state government documents as one of the major industries of the district.

Nadhini R 2014 conducted the study about profitability and found that there is a strong negative relation between the Cashion cycle and corporate profitability for a large sample of listed Indian companies for the 2001-2015 periods.

Tiwari and Parray (2012) explained in detail the analysis of financial statements of Ranbaxy ltd. It provides insights into two widely used financial tools, ratio analysis and common size statements analysis. The objective of this paper is to help the reader understand how these tools should be used to analyze the financial position of a firm.

III. RESEARCH METHODOLOGY

The researcher adopted the analysis of data in a manner that to combine relevance to purpose with economy in procedure. Research design is the basis of defining the research problem. The preparation of the design of the project is popularly known as research design. It was used in primary data was collected for the first time. The project data has been collected through discussion with accounts manager of the company. Secondary data that are already collected and analyzed by someone else such as annual reports, internal records, journals, magazines and newspapers. The study depends mainly in company’s report, books and company’s profile. The tools are used ratio analysis in five-year period of the study 2017-2022.

IV. OBJECTIVES OF THE STUDY

To analyze the profitability ratio analysis of the Sri Ganapathy textiles in Kongampalayam, Erode

DATA ANALYSIS AND INTERPRETATION

1. Gross Profit Ratio

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Table 1 GROSS PROFIT RATIO (Ratio in percentage)

S.NO	Years	Gross Profit	Net Sales	Ratio
1	2017-2018	1805247	17392452	10.30
2	2018-2019	2507292	39204604	63.90
3	2019-2020	2040021.96	29758267.31	0.60
4	2020-2021	2486870.06	16110576.61	0.15
5	2021-2022	2315289.59	15478167.97	14.95
Mean				89.98

Source: Secondary data

The above table shows that the profitability ratio for five years of Sri Ganapathy textiles in Kongampalayam, Erode becoming positive. The gross profit ratio for the financial year 2017-2018 is -10.30%, for 2018-2019 is -63.90%, for 2019-2020 is -0.60%, for 2020-2021 is -0.15% and for 2021-2022 is -14.95%. This shows that profitability is yielding positive returns, due to covid19 situation during the period 2019 -21 the percentage of gross profit suddenly reduced but gradually raised the profitability position of the period of 2021 – 2022 Net sales is above 1 crore.

2. Operating Ratio

Operating Ratio = $\frac{\text{Cost of goods sold} + \text{Operating expenses}}{\text{Net sales}} \times 100$

Table 2 OPERATING RATIO

	Years	Cost of Goods Sold+ Op expenses	Net Sales	Ratio
1	2017-2018	1479105.300	17392452	8.5
2	2018-2019	2158881.300	39204604.00	5.5
3	2019-2020	1669742.870	2975826731	5.6
4	2020-2021	2110114.000	16110576.61	13.09
5	2021-2022	1932642.590	15478167.97	12.48
Mean				45.18

Source: Secondary data

The above table shows that the operating ratio for five years of Sri Ganapathy textiles in Kongampalayam, Erode, is decreasing from 8.5 percentage to 5.6 percentage. The operating ratio for the financial year 2017-2018 is 8.5%, for 2018-2019 is 5.5%, for 2019-2020 is 5.6%, for 2020-2021 is 13.09 % and for 2021-2022 is 12.48%. If the ratio is high the operating expenses is high so the company wants to reduce the operating expense

3. Operating Profit Ratio

Operating profit ratio = $\frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$

Table 3 OPERATING PROFIT RATIO

S.NO	Years	Operating Profit	Net Sales	Ratio
1	2017-2018	430810	17392452	2.47
2	2018-2019	500645	39204604	1.27
3	2019-2020	671460	29758267.31	2.25
4	2020-2021	644120	16110576.61	3.99
5	2021-2022	992058	15478167.97	6.40
Mean				16.38

Source: Secondary data

The above table shows that the operating profit ratio for five years of Sri Ganapathy textiles in Kongampalayam, Erode, is increasing from 2.25 percentage to 5.6 percentage. The operating profit ratio for the financial year 2017-2018 is 2.47%, for 2018-2019 is 1.27%, for 2019-2020 is 2.25%, for 2020-2021 is 3.99% and for 2021-2022 is 6.40%.

4. Net Profit Ratio

$$\text{Net profit ratio} = (\text{Net profit} / \text{Net sales}) \times 100$$

Table 4 NET PROFIT RATIO

S.NO	Years	Net Profit	Net Sales	Ratio
1	2017-2018	319316.75	17392450	1.83
2	2018-2019	344772.62	39204604	0.87
3	2019-2020	368344.09	29758267.31	1.23
4	2020-2021	376752.98	16110576.61	2.33
5	2021-2022	377115.52	15478167.97	2.43
Mean				8.69

Source: Secondary data

The above table shows that the Net profit ratio for five years of Sri Ganapathy textiles in Kongampalayam, Erode decreasing in the period of 2019 -2020, indicating a poor profit performance. However, the company showed signs of recovery in 2021 and 2022, where the net profit was 0.87% and 2.43%. A good way to know if the net profit margin is accepted.

5. Earnings Per Shares Ratio

$$\text{Earnings per ratio} = (\text{Net profit after tax and preference dividend} / \text{No. of. Equity Shares})$$

Table 5 EARNINGS PER SHARES

S.NO	Years	Net Profit After Tax	Number of Equity Shares	Ratio
1	2017-2018	326141.75	443148	0.73
2	2018-2019	348410.62	123656	2.81
3	2019-2020	370279.09	503256	0.73
4	2020-2021	376756.06	83368	0.77
5	2021-2022	382647	12666	30.21
Mean				35.25

Source: Secondary Data

The above table shows that the Earning per share ratio for five years of Sri Ganapathy textiles in Kongampalayam, Erode. This ratio indicates the ability of the firm's assets to generate operating income. As a rule of thumb, the higher this ratio is the better. It is important to realize that this ratio shows the return shareholders are actually achieving on their investment, using current market value for listed shares. In 2021-22, these textiles have recorded its best EPS of 30.21 over the past four years.

CONCLUSION

Condition of the company in terms of overall profitability ratios in an unhealthy condition. It can be seen from the development value of the ratio of net profit margin, return on equity on investment in 2017 and 2018 were always below the industry average, but the value of the ratio is always increase from the previous year, indicating the company is able to generate profits. Generally seen from the above financial ratios, the company can carry out its activities effectively and efficiently because of the increased value of each ratio, which shows the improved performance of the company in managing its financial resources. Although profitability ratios measured from the industry average in poor condition, but the value of the ratio increase from the previous year. To further improve earnings in the next year, the company wants to reduce cost of production and increase profit.

REFERENCE

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