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A STUDY ON PROFITABILTY AND TREND ANALYSIS IN K.P.R MILL LIMITED IN COIMBATORE

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ABSTRACT
Profitability is a measure of the overall success of the company. It is a measure of the income or the operating success of the company for a given a period of the time. Profitability Analysis is key to organizations' ability to understand what they should focus on in the future. There are many different ways to analyze profitability, from backward looking trend analyses to predictive modeling of the future. There are also many ways theories about how profitability should be analyzed. Profitability costing is the concept of assigning all costs incurred by a company to the various products or relationships the organization maintains in an effort to determine which products or relationships are the most profitable. The purpose of the study is to analyze overall profitability, operating profit, return on investments and the trends in the profitability growth using 5 years of financial statements i.e., from 2020-21 to 2024-25. The study has found that the profitability of the company has been stable for the last five years. There is a negatively strong relation exist between net profit ratio and total asset turnover ratio and it suggests to control, monitor company's operating expenses.
KEYWORDS: *Profitability Analysis, Financial Statement Analysis, Return on Investment (ROI), Profitability Costing, Net Profit Ratio, Operating Expenses.*

INTRODUCTION

Profitability Analysis is key to organizations' ability to understand what they should focus on in the future. There are many different ways to analyse profitability, from backward looking trend analyses to predictive modelling of the future. There are also many ways theories about how profitability should be analysed. Profitability costing is the concept of assigning all costs incurred by a company to the various products or relationships the organization maintains in an effort to determine which products or relationships are the most profitable.

There are many types of software that allow a company to help create a Profitability Costing model. Mind Stream Analytics is well versed in Profitability Costing and can help your company figure out what can best help your company create a Profitability Costing module.

REVIEW OF LITERATURE

- **S.K.Khartik Titto Varghese (2021)** found that profitability more or less depends upon the better utilization of resources and to manpower. It is worthwhile to increase production capacity and use advance technology to cut down cost of production and wage cost in order to increase profitability, not only against the investment, but also for investor's return points of view. Profitability may be analyzed through ratio analysis. Ratio analysis is one of the most powerful tool and widely used technique of analyzing financial statements. It is the process of computing and interpreting relationship between the items of the financial statements for arriving at conclusions about the financial position and performance of an enterprise
- **Eljelly (2022)** elucidate found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. The variable was found to have significant effect on profitability at the industry level. On the whole, Review of Literature reveals that though studies are made on profitability and operational efficiency, influencing factors of profitability and operating efficiency, there are very few studies made on analysis of profitability and operational efficiency of financial services sector focusing credit services, insurance services providing companies in this unpredicted economic condition namely financial recession, demonetization and Covid-19 etc.
- **Nirali J Kantharia (2023)** The objective of the study was to evaluate and analysis the growth of power sector with respect to selected company. The Methodology adopted was Net Profit Ratio, Operating Profit Ratio and Rate of Return. The conclusion was founded that the profitability and growth of power generating firm.

- **K. Bhavana Raj (2024)** The Objective of the study was to analyze Liquidity- Profitability performance and predict Bankruptcy of selected companies. The Methodology adopted was financial ratios are used to analyze Liquidity and Profitability performance of companies. The conclusion of the study was that Indian Telecom companies should improve their Liquidity and Profitability Performance so that the sector shows signs of stability.
- **Siva Priya Sellathurai (2025)** The Objective of the study was to analyze growth of company and compared profitability ratio of the company. The Methodology adopted was Correlation, Compound Annual Growth Rate. The conclusion of the study was the growth of company depends on how effectively insurers are unable to come up with the product designs suitable to our context.

STATEMENT OF THE PROBLEM

It is an important factor which indicates the growth of the KPR Mill limited. It is influenced by several factors like cost, revenue and the result margin of the company. Financial performance may exhibit with the help of many aspects namely financial facts, financial ratio, financial health, financial strength, utilization of assets etc. If the analysis made on all the aspects of the company gives a clear cut picture about the financial performance of the companies it can be used for some policy implication for future development of the company. Hence, in this study an attempt has been made to study the relationship between various aspects of profitability analysis of the firms. The cause and effects relationship, growth performance of the company and the utilization of assets are the real problems focused in the present study to analyses the performance under this study.

Scope of the Study

The present study attempts to obtain a general view of the analysis practice in KPR Mill limited. This study will help the in making some financial decision for five years. The study tells the detailed operations related to the firms operations and its efficiency to be improved. Then the study clearly explains about at what areas they have to improve their performance. It helps in making some reference for its past performance.

OBJECTIVES OF THE STUDY

- To analyses the income & expenditure pattern and its impact on the total profits of the company
- To analyses the financial position of the company through ratio analysis.
- To study the trend position of the firms by using the trend analysis.
- To give suggestions for further improvement and development of the company.

LIMITATIONS OF THE STUDY

- The study covers only five years. An analysis of five years data may not show the trend and performance of the company.
- The study is done only for a period of five years i.e. 2020-21 to 2024-25.
- The study only deals with the profitability analysis of the company based on data available in screener online site

RESEARCH METHODOLOGY

Research Methodology is a systematic way to solve a research problem; it includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them. The present study was conducted at the industries. The study depends mainly on the secondary data namely the annual reports of the company. Five years annual reports had been collected from the company. Data had also been collected from text books, journals, newspapers, magazines and internet.

TOOLS USED FOR ANALYSIS OF DATA

- Ratio analysis
- Trend analysis
- Comparative balance sheet

ANALYSIS AND INTERPRETATION

NET PROFIT RATIO

This ratio is designed to focus attention on the net profit arising from business operations before interest and tax is deducted. This conversion is to express profit after tax and interest and as a percentage of sales. This ratio measures the efficiency of operation of the company. The ratio is calculated as follows:

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$$\text{Net Profit Ratio} = \frac{\text{Net profit before interest and tax}}{\text{Sales}} \times 100$$

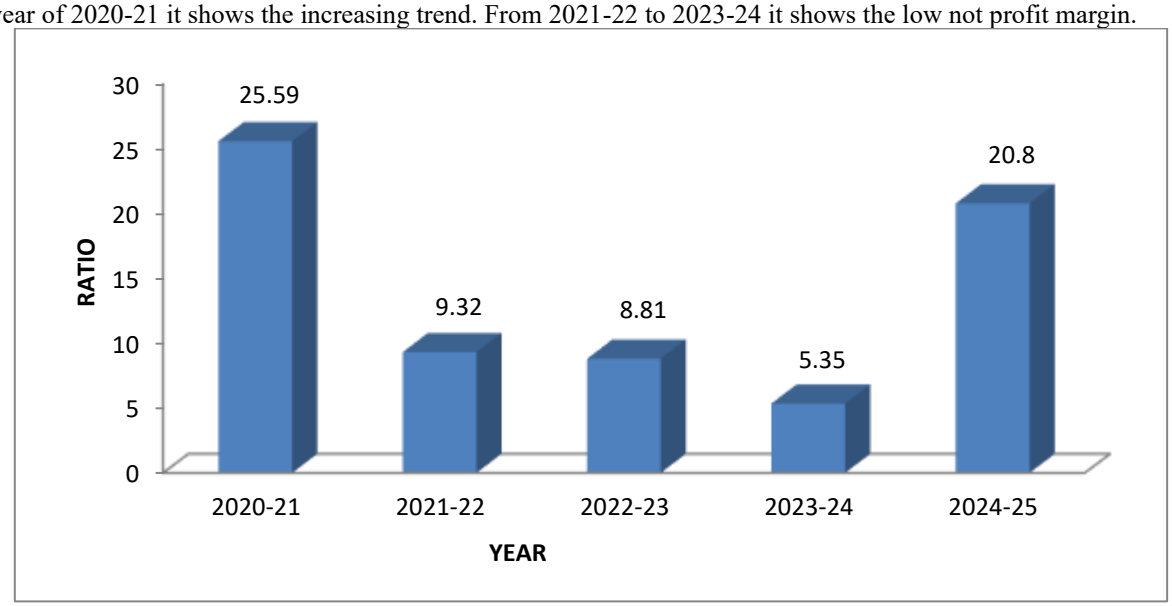
Table 1

Year	Net profit	Sales	Percent
2020-21	240.34	938.98	25.59
2021-22	49.44	530.20	9.32
2022-23	44.48	505.06	8.81
2023-24	42.95	803.01	5.35
2024-25	131.74	633.38	20.80

Source: Annual report

INTERPRETATION

The above table shows that, the high net profit margin in 2020-21 to 2024-25. It is because of high profit in the year of 2020-21 it shows the increasing trend. From 2021-22 to 2023-24 it shows the low not profit margin.



CURRENT RATIO

Current ratio is the most common ratio for measuring liquidity. The current ratio is the ratio of total current assets to total current liabilities. Current ratio of affirm measures its term solvency i.e. ability to meet short term obligations. Current assets mean assets that will either be used up or converted into cash within a year's time or during the normal operating cycle of the business, whichever is longer.

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Table 2

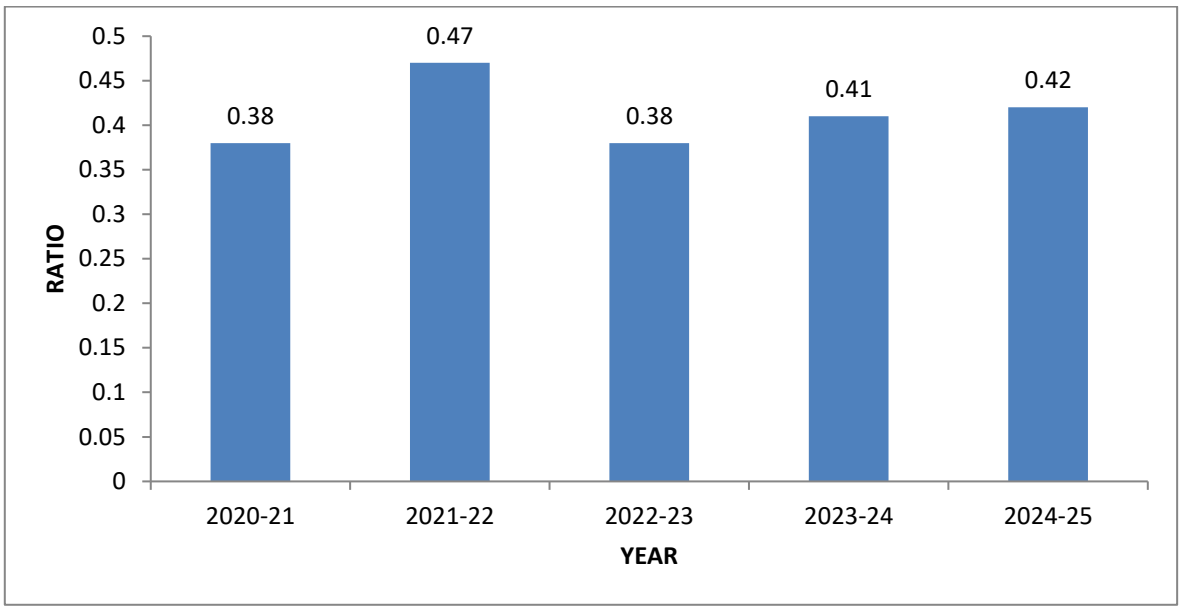
Year	Current assets	Current liabilities	Ratio
2020-21	325.85	856.13	0.38
2021-22	505.65	1076.05	0.47
2022-23	623.16	1647.32	0.38
2023-24	766.50	1870.50	0.41
2024-25	794.03	1897.55	0.42

Source: Annual report

INTERPRETATION

The above table shows, for the five years i.e. from 2020-21 to 2024-25 the current ratio of the firm got declined because of the increase in current liability. The high current ratio shows the favorable condition of the firm. So in 2021-22 the firm got high current ratio at 0.47.

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WORKING CAPITAL TURNOVER RATIO

Working capital ratio measures the effective utilization of working capital. It also measures the smooth running of business or otherwise. The ratio establishes relationship between cost of sales and working capital. Working capital turnover ratio is calculated with the help of the following formula

$$\text{Working capital turnover ratio} = \frac{\text{Sales / Cost of sales}}{\text{Net working capital}}$$

Net working capital = current assets – current liabilities

Table 3

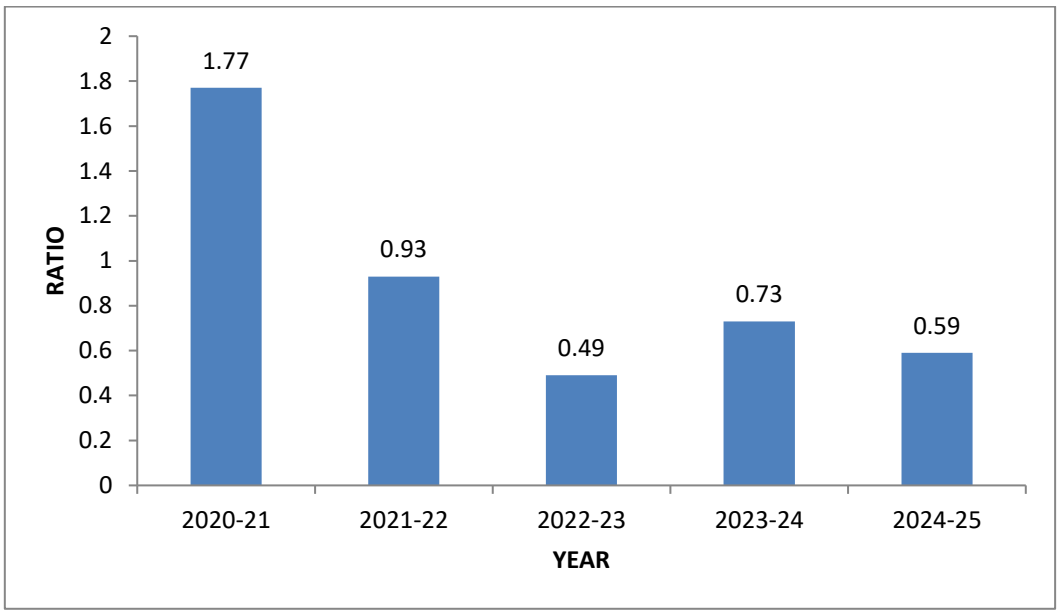
Year	Sales	Net working capital	Ratio
2020-21	938.98	530.28	1.77
2021-22	530.20	570.4	0.93
2022-23	505.06	1024.16	0.49
2023-24	803.01	1104.00	0.73
2024-25	633.38	1103.52	0.59

Source: Annual report

INTERPRETATION

The working capital turnover ratio measure analyses current assets and liabilities. During the year 2020-21 the working capital ratio is 1.77 which are decreased to 0.93 in the year 2021-22. From the next year decreased to 0.49 in the year of 2022-23. The last year 2024-25 decreased to 0.59.

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TOTAL ASSETS TURNOVER RATIO

The total assets turnover ratio measures the ability of a company to use its assets to generate sales. This ratio indicates how much Birr in sales the company squeezes out of Birr it has invested in assets. It considers all assets including fixed assets, like plant and equipment, as well as inventory and accounts receivable.

It measures a company's efficiency at using its assets in generating sales or revenue - the higher the total assets turnover ratio, the more efficient is the management and utilization of the assets while low total assets turnover ratios are indicative of underutilization of available resources and presence of idle capacity. The lower the total asset turnover ratio, as compared to historical data for the firm and industry data, the more sluggish the firm's sales. This may indicate a problem with one or more of the asset categories composing total assets - inventory, receivables, or fixed assets. The company should analyze the various asset classes to determine where the problem lies.

It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover.

$$\text{Total asset turnover ratio} = \frac{\text{Sales}}{\text{Total Asset}}$$

Table 4

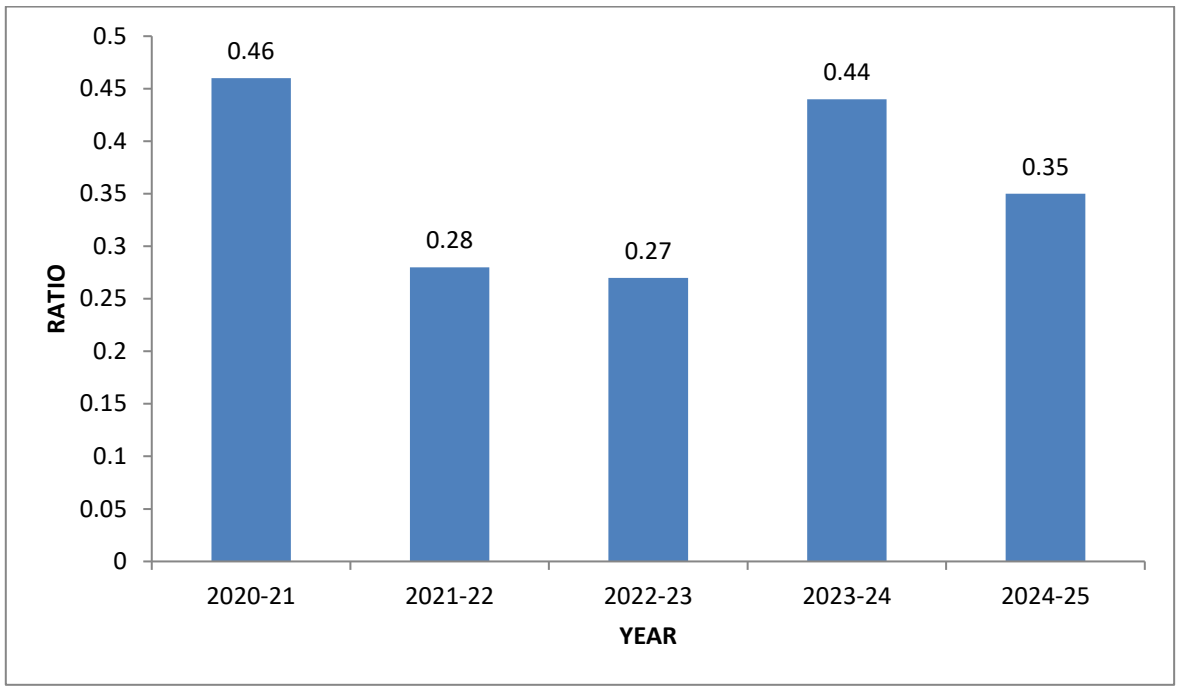
Year	Sales	Total Asset	Ratio
2020-21	926.38	1996.13	0.46
2021-22	528.83	1859.02	0.28
2022-23	505.06	1890.50	0.27
2023-24	803.01	1832.47	0.44
2024-25	633.38	1812.42	0.35

Source: secondary data

INTERPRETATION

The above table shows that the total assets turnover ratio of the company during the study period. It was 0.46 in the year 2020-21 and then reached come down to 0.28 again in the next year 2021-22 onwards it ultimately decreased to 0.27 and next year of 2020-21 ratios was increased to 0.44 in the year 2023-24. It was decreased from the year 2024-25 is 0.35. Hence the company is maintaining its bad level position of assets. The Total assets turnover ratio was fluctuating trend.

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INVENTORY TURNOVER RATIO

This ratio is also called stock velocity ratio. It is calculated to ascertain the efficiency of inventory management in terms of capital investment. It shows the relationship between the cost of goods sold and the amount of average inventory. Stock turnover ratio is obtained by dividing the cost of sales by average stock. The rationale behind establishing the relationship between cost of sales and average stock is that stock is at the cost price. This ratio is helpful in evaluating and review of inventory policy.

$$\text{Inventory turnover ratio} = \frac{\text{Net sales}}{\text{Average Inventory or stock}}$$

Table 5

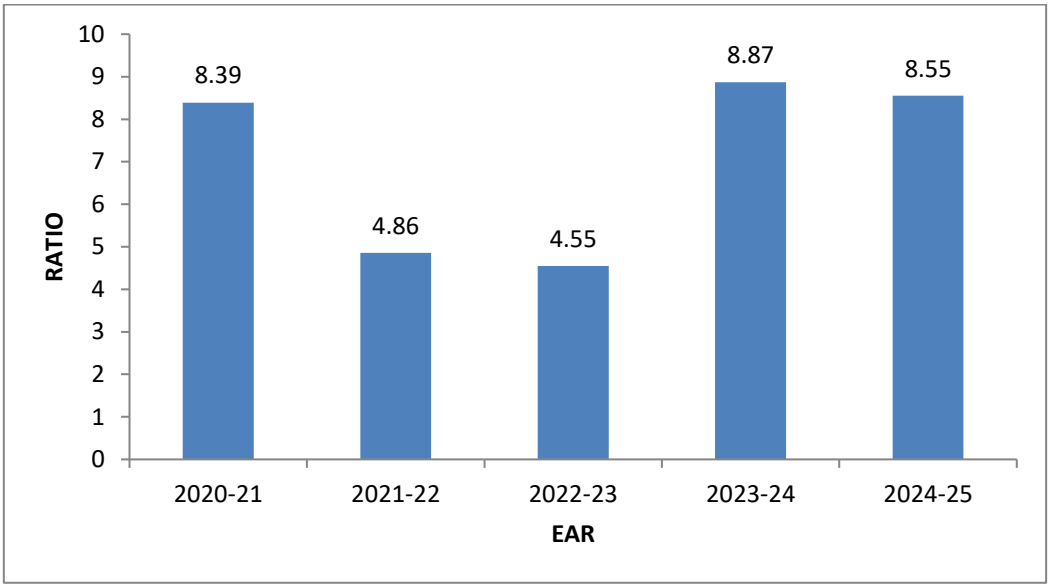
Year	Net Sales	Average Inventory	Ratio
2020-21	926.38	110.34	8.39
2021-22	528.83	108.72	4.86
2022-23	505.06	110.89	4.55
2023-24	803.01	90.50	8.87
2024-25	633.38	74.03	8.55

Source: secondary data

INTERPRETATION

The ratio is observed that it shows the good position as far as inventory turnover ratio is concerned. In the year of 2020-21 ratio was 8.39 and then next year decreased to 4.86 to 4.55. The last year inventory turnover ratio was 8.55 in the year of 2024-25. The company Inventory turnover ratio was increasing and fluctuating trend.

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FINDINGS

1. The high net profit margin in 2020-21 to 2024-25. It is because of high profit in the year of 2020-21 it shows the increasing trend. From 2021-22 to 2023-24 it shows the low not profit margin.
2. The five years i.e. From 2020-21 to 2024-25 the current ratio of the firm got declined because of the increase in current liability. The high current ratio shows the favorable condition of the firm. So in 2021-22 the firm got high current ratio at 0.47.
3. The working capital turnover ratio measure analyses current assets and liabilities. During the year 2020-21 the working capital ratio is -1.77 which are decreased to -0.93 in the year 2021-22. From the next year decreased to -0.49 in the year of 2022-23. The last year 2024-25 decreased to -0.59.
4. The gross profit ratio in the year 2020-21 ratio is 10.81 and next year 2021-22 is negative -37.70. In the last three years was decreased continually. The company should concentrate his sales value.
5. The total assets turnover ratio of the company during the study period. It was 0.46 in the year 2020-21 and then reached come down to 0.28 again in the next year 2021-22 onwards it ultimately decreased to 0.27 and next year of 2020-21 ratios was increased to 0.44 in the year 2023-24. It was decreased from the year 2024-25 is 0.35. Hence the company is maintaining its bad level position of assets. The Total assets turnover ratio was fluctuating trend.

SUGGESTIONS

- Company should undergo in efforts to increase their production, and then only they can achieve more profit.
- Company should be able to maintain a safe position of current ratio as 2:1. But by reducing the current liabilities it is possible for the company to maintain a better liquidity position and this in turn helps the company for its efficient performance.
- Company should introduce a better policy for the Reserves maintained by the company. If the company is able to maintain an improved level of reserve it helps the company to phase the future contingencies of losses modernization expansion of the business. Here the company maintained a less level of Reserves to compare with previous years.
- Company should introduce measures to cut down the administrative expenses of the company. But at the same time it should be possible for the company to withhold the experienced and skilled employees by providing them attractive remuneration. The joining of qualified professionals with the company will improve the productivity of the business.
- The company should improve their total income to meet their expenses.

CONCLUSION

By considering the industry performance this year was a difficult year for the industry. Profitability analysis is the vital part of financial management of any business like. however the profitability of this company was adversely affected by the various factors. This study helps the company to control over the financial areas and the smooth functioning of the business. This study and analysis of profitability and financial statement gives a thorough

insight to the research and how the financial statements should be analyzed which will help in the improvement of profitability and liquidity of the business.

The study will enable the company to plan for future financial analysis and helps to analyze the firm's profitability over time, its ability to generate more profit. It's of responsibilities financial Manager to see that the sources of the funds are used effectively and efficiently. By considering the above suggestions that the company will be improve and for the better management of finance in near future.

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