



A Study on Profitability Analysis at Shreejee Tex Print Pvt Ltd

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Abstract

The major objective of this study is to analyse and understand the impact of leverage on the profitability of the firm. This study investigates the relationship between the leverage (financial leverage, operating leverage and combined leverage) and the earning per share. And it aims to describe how the earning capacity of the firm is influenced by the fixed operating costs and the fixed financial charges. Leverage analysis is an important tool in the business. Though leverage analysis firm can analyse the impact of fixed cost. Data is retrieved from the financial statements of the company for the five years and accordingly the leverages, degree of leverages are analyzed. The present study makes an attempt to analyse the impact of both operating leverage and financial leverage which obviously gives combined leverage. We can maximize the returns through leverage. Profitability refers to the operational efficiency of a company to generate profit. A company should earn profit to survive and grow over a long period of time. Profitability is measure of efficiency and control it indicates the efficiency and effectiveness with which the operations of the business carried on. The results suggest that the leverage and profitability are related, and leverages are having impact on the profitability of the firm.

Keywords: Leverages, Operating Cost, Fixed Cost, Profitability.

1. Introduction

The primary object of all business organizations is to earn profit. Profit is an important element to boost up business activities. It is a measure of the worth of owner investment. A business firm can tolerate loss only for sometimes but for its survival, it must earn profit. The profit of business may be measured and analyzed by studying profitability of investments attained by the business. The company's financial information is contained in balance sheet and profit and loss account. Profitability analysis is a very powerful analytical tool for measuring performance of an organization. With the help of profitability ratio, the financial statement can be analyzed more clearly, and decisions are drawn from such analysis. Profitability analysis helps the management to analysis the past performance of the firm and to make further projections [1,2,14]. Different profitability ratios provide different useful insights

into the

financial health and performance of a company. For example, net profit ratio tells how well the company is managing its expenses [3].

2. Need of the Study

Profitability Analysis is one of the key areas of financial decision-making. The main purpose behind this project study is to know how the profitability is managed in **SHREEJEE TEX PRINT** by using profitability ratios. The study is an internal financing pattern of the profitability management, which deals with determining the profitability position. Therefore, an analysis is to be made to know the reasons and find out the measures to be taken to make the organization more successful [4,15-17].

3. Objectives of the Study

- To study and analyze the profitability of Shree Jee Texprint for a period of 5 year from 2015-



2020.

- To calculate and analyze select Profitability ratio that is Net profit Ratio, Operating Profit Ratio, Return on Investment, Return on Total Asset Ratio for five years.
- To calculate and analyze Operating Leverage, Financial Leverage, Combined Leverage, Degree of Operating Leverage, Degree of Financial Leverage, Degree of Combined Leverage for five years [5,18].

4. Scope of the Study

The study focuses on Profitability of SHREEJEE TEX PRINT which covers 5 years period from 2015-2020. The study also highlights indicators like Net Profit Ratio, Operating Profit Ratio, and Return on investment, etc. The study also indicates Degree of Operating Leverage, Degree of Financial Leverage and Degree of Combined Leverage [6-8,19].

5. Literature Review

Nirali J Kantharia (2020), a study on Profitability Analysis, International Journal of Research and Analytical Reviews, volume: 7, Issue 1, March 2020. 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 (2020), a study on Profitability Analysis, Journal of Critical Reviews, Volume: 7, Issue 8th January 2020. 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.

Srinivas Murthy (2019), a study on Profitability Analysis. Journal of Private Equity, Volume: 22, Issue 31st May 2019, page 56-63. The Objective of the study were to analyze the solvency and profitability of select private equity funds in India. The Methodology adopted was Debt Equity Ratio,

Proprietary Ratio, and Return on Total Assets Ratio. The Conclusion of the study was ratio analysis is a useful management tool which helps to improve understanding of financial results and provide key indicators of organizational performance.

Siva Priya Sellathurai (2019), A study on Profitability Analysis, Journal of Current Advanced Research, Volume: 8, Issue 5th May 2019, page 18530-18532. The Objective of the study were 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.

Pavithra k (2018), a study on Profitability Analysis, Journal of Emerging Technologies and Innovative Research, Volume: 5, Issue: 12th December 2018, pages 104-107. The Objective of the study were to analyze the financial performance of the Ultra Tech Cement Company. The Methodology adopted was Net Profit Ratio, Gross Profit Ratio, and Return on Capital Employed. The Conclusion of the study was the company has to more concentrate on Gross Profit increase and Return on Capital Employed in the Company.

Hardik. S. Joshi (2018), a study on Profitability Analysis, International Journal of Multidisciplinary Research, Volume: 4, Issue 30th November 2018. The Objective of the study were analyzing and comparing capacity to generate profits with reference to asset over the years. The Methodology adopted was Return on Capital Employed, Asset Turnover Ratio, and Return on Assets. The Conclusion of the study was company had been achieved a good percentage of return on the funds that are employed and was quiet high as compared to industry rate.

Satya Ranjan Doley (2018), A study on Profitability Analysis, Indian Journal of Accounting, Volume: 50 (1), Issue June 2018, page 51-58. The Objective of the study were to analyze profitability of 2 companies during the study period of five years. The Methodology adopted was Gross Profit Ratio,



Net Profit Ratio, and Operating Profit Ratio. The conclusion of the study was comparative profitability of two companies demonstrates that BCPL is performing better than HPCL during the period of 5 years [15].

Shekhar Rao (2018), a study on Profitability Analysis, Journal of Business and Management, Volume: 20, Issue 20 February 2018, page 37-47. The Objective of the study was to determine the relationship between changes in working capital and profitability of selected paint industries. The Methodology adopted was working capital management, inventory management. The conclusion of the study was the way in which working capital is managed will have a significant impact on profitability of those firms.

Umar Shehu (2017), A study on Profitability Analysis, International Journal of Research and Science, Volume: 3, Issue: 29 December 2017, The Objective of the study was to examine profitability of fresh tomato retail marketing in major markets of kano state. The Methodology adopted was sampling techniques for the selection of tomato retail marketers in the study. The Conclusion of the study was retail marketing of fresh tomato is profitable and recommends that they should have an idea of collective purchase in order to minimize transportation cost for maximum profit.

Bhuvneshwar (2015), a study on Profitability Analysis, International Journal of Applied Research, Volume: 1, Issue 1, page 138-141. The Objective of the study were ensuring all operations, including accommodation, food and drink and other hotel services. The Methodology adopted was Gross Profit Ratio, Net Profit Ratio. The Conclusion of the study was the Lord Ishwar and TGB are on an average and Leela hotel is in the last position as compared to hotels.

Abhinav (2015), A study on Profitability Analysis, Journal of Research in Commerce and Management, Volume: 4, Issue 8 (August 2015), page 11-19. The Objective of the study were to study the profitability position of the selected handloom products. The Methodology adopted was Mean, Standard Deviation and Chi-Square test. The Conclusion of

the study of the industry is survived only because of the Consumer's Preference to handloom products.

Monica Tulsian (2014), A study on Profitability Analysis, Journal of Economics and Finance, Volume: 3, Issue 2 ver.1 (March - April 2014), page 19-22. The Objective of the study were to make profit and obtain a deep in sight and familiarity with the profitability companies of steel industry in India. The Methodology adopted was ratio analysis and other types of ratios. The conclusion of the study was analyzing the return on capital employed ratio between two companies which implies inefficiency of management and inefficient utilization of capital funds.

Vipul C. Kordia (2013), A study on Profitability Analysis, Volume: 3, Issue 5 (May 2013), page 8-12. The Objective of the study was three public sector oil companies are selected. The Methodology adopted were Operating Profit Margin Ratio, Gross Profit Margin Ratio. The Conclusion of the study were profitability of the selected companies measured through Operating Profit Margin Ratio, Gross Profit Margin Ratio is satisfactory and is adequate during the study period.

S. Ayyappan (2013), a study on Profitability Analysis, Asian Journal of Managerial Science, and Volume: 2, Issue 18th April 2013, page 44-47. The Objective of the study were to measure factors influencing the profitability of the bank on the ration of return on total assets. The Methodology adopted were Correlation Coefficient between two Variables or a gross. The Conclusion of the study was Bankers should concentrate on the facts which are influencing negatively which will improve the profitability in the global competition.

Krishna Moorthy (2012), a study on Profitability Analysis, Journal of Research in Social Sciences and Humanities, Volume: 2, Issue 10th October 2012. The Objectives of the study were to ascertain the overall earnings performance of selected steel companies in India. The Methodology adopted was ANOVA, Mean, and Standard Deviation. The conclusion of the study was profitability depends upon the better utilization of resources, customer services and to manpower and goodwill and market



share.

6. Findings

- The Net profit ratio in the year 2019-2020 was highest at 0.42 shows that a company is able to control its cost and provide goods and services to low expenses.
- The Operating Profit Ratio in the year 2018-2019 was highest at 0.99 which indicates in managing its cost and increasing its profits in the company.
- The Return on Investment in the year 2018-2019 was highest at 0.42 shows that the company's profit and shareholders fund increase caused an increase in the ratio.
- The Return on Total Asset Ratio in the year 2018-2019 was highest at 0.31 which shows that the company has increased profit and had use of company assets to maximum its sales.
- The Operating Leverage in the year 2019-2020 was highest at 1.07 which was due to increase in operating expenses and requires large percentage of revenue to maintain operations.
- The Financial Leverage in the year 2015-2016 was lowest at 0.38 means a company is not incurring excessive debt to finance its assets.
- The combined Leverage in the year 2015-2016 was lowest at 0.04 was due to decrease in operating leverage and financial leverage [9-11].

Conclusion

The Profit of the business may be measured and analyzed by studying Profitability of investments attained by the business. It is a very powerful tool for measuring performance of organization. It helps the management to analysis the past performance of the firm. The study covered Net Profit Ratio, Operating Profit Ratio, Return on Investment, Return on Total Asset Ratio, Operating leverage, Financial Leverage, Combined Leverage [12]. The Methodology Covered Degree of Operating Leverage, Degree of Financial Leverage, Degree of Combined Leverage. The Operating Profit Ratio in the year 2018-2019 was highest which indicates how firm managed its cost and increased its profit [13,19]. The Net Profit Ratio in the year 2019-2020

was highest which indicates how company controls its cost and provides goods and services to low expenses. The Company's overall Profitability position is good in the year 2018-2019 and 2019-2020. Particularly the year 2018-2019 Profitability position is well due to raise in the profit level from the year 2017-2018. It is better for the organization to diversify the funds to different sectors in the present market scenario.

Suggestion

- The profitability analysis of the company is good it is suggested to maximize the level of performance. The profit margins of the company show that it is improving continuously.
- The analysis recommends that the firm under study may maintain their current leverage positions as they are appropriate. Also, Firm should strive for increase in the size and avoid organizational rigidity to maintain profitability.
- The Firm may improve the efficiency position by maintaining the cost and increasing the sales.

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