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A Study on Profitability Analysis with Special Reference to Kaleesuwari Refinery Pvt Ltd., Chennai

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ABSTRACT: Profitability analysis gives a company a window into how the net profit is broken down. Profitability is a measure of an organization's profit relative to its expenses. Organizations that are more efficient will realize more profit as a percentage of its expenses than a less-efficient organization, which must spend more to generate the same profit. Profitability analysis is an analytical process that seeks to reveal information about the various revenue streams of the organization. This study objective is the profitability analysis with special reference to Kaleesuwari Refinery Pvt Ltd., Chennai. In this study, analytical research is used. The data used are of last five years from 2020-21 to 2024-25. The sample is used in this study, last five years annual reports from 2020-21 to 2024-25. Ratio Analysis is used. It is found that ratios are calculated from the financial statements' which are prepared as desired by the management and policies adopted on depreciation and stock values and thus produce only a collection of facts expressed in monetary term and cannot produce complete and authentic picture of the business and also may not highlight other factors which affects performance. Profitability ratios show a fluctuating trend in the past 5 years and however it meets the standard net profit ratio of 5-10%. The company profits have ups and downs due to several factors such as fluctuation in sales, fluctuation in operating profit and increase in other administrative and operating expenses. It recommended that there must be increasing trends in operating profit and net profit and decreasing trend in operating expenses and other administrative expenses.

KEYWORDS: Profitability Position, Profit analysis, Profit ratio.

I. INTRODUCTION

Sometimes, the terms 'Profit' and 'Profitability' are used interchangeably. But in real sense, there is a difference between the two. Profit is an absolute term, whereas, the profitability is a relative concept. However, they are closely related and mutually interdependent, having distinct roles in business.

Profit refers to the total income earned by the enterprise during the specified period of time, while profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is the ability of enterprise to get sufficient return on the capital and employees used in the business operation.

As Weston and Brigham rightly notes to the financial management profit is the test of efficiency and a measure of control, to the owners a measure of the worth of their investment, to the creditors the margin of safety, to the government a measure of taxable capacity and a basis of legislative action and to the country profit is an index of economic progress, national income generated and the rise in the standard of living, while profitability is an outcome of profit. In other words, no profit drives towards profitability.

OBJECTIVES OF THE STUDY

- To study the profitability position of the concern
- To examine the operating profit of the company
- To assess the turnover position in the company
- To evaluate the annual growth rate of income of the company

II. REVIEW OF LITERATURE

Omanov, S., Usmonov, B. and Tashbaev, B. (2024), The research examines the analysis of production costs and profitability indicators in economic entities. The primary objectives of scrutinizing production expenses and analyzing costs per one sum (UZS) by analyzing the profitability indicators of the joint-stock company (JSC) were studied. Production costs are vital for companies engaged in manufacturing and production sectors, where cost efficiency is paramount. The study reviews and refines existing methods of assessing profitability ratios, particularly emphasizing their relationship with production costs. The analysis of production costs makes it possible to utilize internal opportunities and develop practical proposals to improve the efficiency of economic activity. Therefore, this research presents the factors influencing the change in product production costs at "Galla-Alteg" JSC and provides practical recommendations for determining and increasing internal capabilities. By improving the accuracy and relevance of profitability analysis in the production domain, it contributes to the financial stability and long-term success of JSCs engaged in production activities.

Prathwin, B. V. and Marisetty, Nagendra, (2023). This study examines the Indian infrastructure sector's profitability. An important factor in India's economic growth is the infrastructure sector. The demand for infrastructure services has expanded as a result of recent significant government investments in infrastructure development. These opportunities have helped infrastructure corporations, but they have also raised competition. Thus, it has become more challenging for the infrastructure sector to be profitable. A panel data analysis methodology is used in this study to look at the profitability of Indian infrastructure enterprises. The study is based on secondary information gathered from financial reports for the years 2019 to 2023 that were posted on the money control website. The study will make use of a sample of infrastructure firms that were listed on the National Stock Exchange in India.

Victor Jonesa Wadesango (2022). This study was carried out to analyse the impact of Covid19 Lockdown towards working capital management and profitability of companies in Zimbabwe. The main complications faced were loss of market whilst operational costs remained on the same level. Enforcement of lockdown regulations such as curfews and intercity travel bans posed a threat in profit statuses of many firms. A challenge also faced was reduction of workforce to meet World Health Organisation requirements of social distancing and health safety protocols. Documentary research approach, which consists of reviewing, analysing, and examining information, recorded media and texts was adopted for the study. In terms of data collection, the authors sourced and reviewed literature on the topic. Among others, these sources included journal articles, books, magazines, and newspapers. The research found that effective working capital management techniques had to be applied to continue operations. It also emerged that sudden increase in debtors would result in cash shortages to fund other operations and pay the current liabilities.

III. RESEARCH METHODOLOGY

The current research study uses an Analytical Research Design. The sampling method used is Non-Probability Sampling, and the method used is Purposive Sampling. The sample size of the research study is five years of financial statements from 2020-21 to 2024-25. The study relies entirely on Secondary Data. Ratio analysis is employed to assess the financial performance, profitability, liquidity, and efficiency of the company.

Data analysis and interpretation

Table No. 1 OPERATING PROFIT RATIO

Year	Operating profit	Net sales	Ratio
2020- 2021	103.82	628.01	0.165
2021- 2022	130.65	778.14	0.167
2022- 2023	80.88	758.31	0.106
2023- 2024	100.49	575.52	0.174
2024- 2025	154.42	735.09	0.210

(Source: Secondary data)

Interpretation

The above table shows that the operating profit ratio is 0.165 in the year of 2020- 2021. It has increased to 0.167 in the year of 2021- 2022. It has decreased to 0.106 in the year of 2022- 2023. It has increased to 0.174 in the year of 2023- 2024. It has again increased to 0.210 in the year of 2024- 2025.

Table No. 2 NET PROFIT RATIO

Year	Net Profit	Net sales	Ratio
2020- 2021	42.01	628.01	6.68
2021- 2022	69.77	778.14	8.96
2022- 2023	44.03	758.31	5.80
2023- 2024	38.68	575.52	6.72
2024- 2025	83.20	735.09	11.31

(Source: Secondary data)

Interpretation

The above table shows that the net profit ratio is 6.68 in the year of 2020- 2021. It has increased to 8.96 in the year of 2021 - 2022. It has decreased to 5.80 in the year of 2022- 2023. It has increased to 6.72 in the year of 2023- 2024. It has again increased to 11.31 in the year of 2024- 2025.

Table No. 3 INVENTORY TURNOVER RATIO

Year	Cost of goods sold	Average inventory	Ratio
2020- 2021	302.83	187.1	1.61
2021- 2022	284.96	247.95	1.14
2022- 2023	344.53	227.58	1.51
2023- 2024	216.12	241.35	0.89
2024- 2025	249.8	295.9	0.84

(Source: Secondary data)

Interpretation

The above table shows that 1.61 in the year of 2020- 2021. It has decreased to 1.14 in the year of 2021- 2022. It has increased to 1.51 in the year of 2022- 2023. It has decreased to 0.89 in the year of 2023- 2024. It has again decreased to 0.84 in the year of 2024- 2025.

Table No. 4 WORKING CAPITAL TURNOVER RATIO

Year	Sales	Net working capital	Ratio
2020- 2021	628.01	263.8	263.8
2021- 2022	778.14	304.67	304.67
2022- 2023	758.31	281.4	281.4
2023- 2024	575.52	265.24	265.24
2024- 2025	735.09	367.5	367.5

(Source: Secondary data)

Interpretation

The above table shows that the working capital ratio is 263.8 in the year of 2020- 2021. It has increased to 304.67 in the year of 2021- 2022. It has decreased to 281.4 in the year of 2022- 2023. It has again decreased to 265.24 in the year of 2023- 2024. It has increased to 367.5 in the year of 2024- 2025.

Table No. 5 TREND PERCENTAGE OF NET PROFIT

Year	Net Profit	Trend Percentage
2020- 2021	42.01	100
2021- 2022	69.77	166.07
2022- 2023	44.03	104.80
2023- 2024	38.68	92.07
2024- 2025	83.20	198.04

(Source: Secondary data)

Interpretation

The above table shows that, the trend percentage is 100 in the year of 2020- 2021. It has increased to 166.07 in the year of 2021- 2022. It has decreased to 104.80 in the year of 2022- 2023. It has decreased to 92.07 in the year of 2023- 2024. It has increased to 198.04 in the year of 2024- 2025.

Table No. 6 TREND PERCENTAGE OF OPERATING PROFIT

Year	Operating Profit	Trend Percentage
2020- 2021	103.82	100
2021- 2022	130.65	125.84
2022- 2023	80.88	77.9
2023- 2024	100.49	96.79
2024- 2025	154.42	148.73

(Source: Secondary data)

Interpretation

The above table shows that, the trend percentage is 100 in the year of 2020- 2021. It has increased to 125.84 in the year of 2021-2022. It has decreased to 77.90 in the year of 2022- 2023. It has increased to 96.79 in the year of 2023- 2024. It has increased to 148.73 in the year of 2024- 2025.

IV. SUGGESTIONS

- The company is to consider the cost optimization and the growth of sources of revenue to generate a greater net profitability in the long term.
- The company should effectively manage current assets and liabilities to ensure that it has a good liquidity position of more than 2.
- The company is advised to maintain a tight rein on liquid assets and reduce the utilization of inventory to improve short term liquidity.
- Inventory and production planning should be improved in the company to maximize the turnover rate and reduce holding costs.
- The company is supposed to maintain good amount of working capital in order to accommodate the need of the business and also to ensure free flow of funds.
- The company should also ensure it has a stricter credit and collection practices to increase the debtors turnover.
- The firm should use its resources in a better way to promote greater sales, and enhance total asset utilization.

- The company must remember to invest in high yield projects and make sure that the operational performance is optimized so as to maximize ROI.
- The company should increase its utilization of capital and profitability and ensure better utilization of the capital invested.
- The company must aim at maximizing net income and effective management of the assets in an effort to enhance the ROA.
- The company should normalize the growth of income through the emphasis on steady sales approach and cost control measures.

V. CONCLUSION

The conclusion is that profitability status of Kaleesuwari Refinery Pvt Ltd., Chennai has exhibited a cyclical trend in the last five years hence there was some chances and constraints in the business operations. Whereas these ratios like operating profit ratio, net profit ratio and return on investment have been on the rising trend over the years, other performance ratios like the inventory turnover and debtors turnover are inefficient and should be reinstated. Such variances are signs that there are more it can do to improve its profitability by attempting to control its costs, its good use of resources and working capital management.

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