



Profitability Analysis Of Selected Public Sector And Private Sector Tea Companies In West Bengal - A Comparative Study

Dr. Gautam Roy

Assistant Professor in Commerce & Coordinator DODL (KU), Berhampore College, Berhampore,
Murshidabad-742101, West Bengal, India.

ABSTRACT

Profitability is the life blood of every business. The term profitability includes two terms profit and ability. Every business organisation wants to know its profit at the end of the year. It also wants to know its profit earning capability. Ultimate profit comes from the profit earning capability of the company or Industry. Tea is an industry of two folds values. It has industrial value and also it has agricultural value. The present study aims to identify the comparative profitability performance and weaknesses of selected tea companies in West Bengal. The study covers 10 tea companies operating in West Bengal. Out of which 6 are public sector tea companies and 4 are private sector tea companies. The study has been undertaken for the period of twelve years from 2014 to 2025. To analyse the comparative profitability of selected public sector and private sector tea companies, various accounting ratios have been used. Various statistical tools such as A.M., S.D., C.V., have been used to measure the comparative profitability and t-test has been used to test of significance.

Key words: Profitability Analysis, Public Sector Tea Company, Private Sector Tea Company, Descriptive Statistics, t-test, Comparative Study.

INTRODUCTION

Since decades, tea has been used as an important non-alcoholic beverage by the households. Besides the agricultural crop, it has industrial value. Tea industry in West Bengal plays an important role in Indian Economy. The success of tea industry in West Bengal depends on several factors like weather condition, soil condition, agricultural success, and use of modern technology and finally the overall financial performance of the business which include profitability. It discloses the overall efficiency and stability of the particular industry. Profitability is one of the important measures that can express the overall financial condition of an organisation. Profitability will come when the proper management of all the sections are done in an efficient way. Profitability is also depends on appropriate management of working capital,

profitability efficiency of an enterprise. Profitability is a measure where a business can be identified as profitable company or a seek company. Tea industries have a crucial role in income and employment generation in West Bengal. The Darjeeling tea has a unique gentle flavour and character that's why it has highest market price in the domestic as well as in the international market. The Black Tea of Doors and Terai are well made straight in appearance and have strong brisk liquors. These varieties are very much popular in the national and international market. West Bengal is also the second highest producer of tea after Assam in India. Finally, the tea industry in West Bengal bears an important role in the employment generation, earning foreign exchange, and take part in share of per capita income in the economy of West Bengal.

Both the public sector tea companies and private sector tea companies has an important role in the livelihood of people of West Bengal and supporting the livelihoods of communities in tea growing areas. It also plays an important role in the income generation especially in the backward areas where other source of income are not available, employment generation in the remote areas and earning foreign currency and ultimately takes part in the Indian Economy. Private sector tea companies mainly focused on reviving struggling estates and ensuring social welfare aspects while public sector tea companies focused on leading in innovation and penetration of the industry. Therefore, our sincere effort will try to focus on a comparative profitability performance analysis between the selected Public Sector and Private Sector Tea Companies in West Bengal and make few suggestions for both the Private Sector and Public Sector Tea Companies in West Bengal.

LITERATURE REVIEW

Profitability performance analysis is important for the enterprise because it can express the financial health, financial deficiency and overall performance of an organisation. Profitability performance depends on the overall success of the business which includes liquidity and solvency, working capital management, profitability performance, financial stability and financial efficiency of an organisation which shows the strength and weaknesses of an organisation.

Tulsian (2014) reported that Tata Steel showed a decreasing trend of profit because of inefficiency of the management and inefficient utilisation of the capital fund. Arya (2013) identified the factors responsible for poor performance of tea companies in West Bengal are higher cost of production, the old age of tea bushes, lack of infrastructure, high price, labour problem, inefficient Tea Board, high labour cost, etc. Export-oriented industry plays a significant role for the earning of foreign exchange noticed by Atkotiya (2005). Goshami and Sarkar (2011) argued that lower the investment higher the profitability. To cover the fixed operating costs the firm should have to improve its net sales so as to maintaining the operating risk within the manageable limit in the years to come. Joseph (2002) examined that almost all plantations became over aged plants in West Bengal and reported that firm should replant the uneconomic bushes. Nagoor (2009) argued that the major factors responsible for poor performance of India's tea exports are rising domestic demand, slow increase in yield, slow expansion of area under tea cultivation, unable to compete with major tea exporting countries, increase in world supply of tea compared to world demand,

lost of traditional tea market and more attraction towards domestic market compared to international market.

No such study has been made on comparability profitability analysis of selected Public Sector and Private Sector Tea Companies in West Bengal, nor has any previous research examined the comparative profitability analysis of Public Sector Tea Company and Private Sector Tea Company and prediction of financial health and practicability of selected tea companies in West Bengal.

OBJECTIVES AND HYPOTHESES OF THE STUDY

The main objectives of the present work are to make a study on comparability analysis of profitability between selected public sector and private sector tea companies operating in West Bengal. More specifically, it seeks to amplify mainly the following issues:

- (i) To study the profitability position and its management of selected private sector and private sector tea companies in West Bengal;
- (ii) To assess the comparative profitability performance of selected private sector and private sector tea companies in West Bengal;
- (iii) To suggest, the remedial measures for the improvement of the profitability position of the selected public sector and private sector tea companies.

Keeping in mind of the above objectives, the following hypotheses have been formulated and tested statistically.

Hypothesis-1: H_0 : Profitability performance of selected public sector tea companies in West Bengal is not satisfactory in compared to private sector tea companies in West Bengal and H_1 : Profitability performance of selected public sector tea companies in West Bengal is satisfactory in compared to private sector tea companies in West Bengal.

METHODOLOGY OF THE STUDY

The present study covers 10 tea companies operating in West Bengal. Out of which 6 are public sector tea companies and 4 are private sector tea companies. The name of 6 selected public sector tea companies are Amgoorie India Ltd., Andrew Yule & Co. Ltd., Atal Tea Co. (1943) Ltd., Darjeeling Dooars Plantation (Tea) Ltd., Dooars Plantation & Industries Ltd. and Duncans Industries Ltd. and the name of 4 selected private sector tea companies are Abhijit Tea Co. (P) Ltd., Amalgamated Plantations Pvt. Ltd., Bharnobari Tea & Industries Pvt. Ltd. and Mintri Tea Co. Pvt. Ltd. The sample companies have been selected on the basis of market capitalisation in case of public sector tea companies and availability of data in case of private sector tea companies. The necessary data have been obtained from CMIE prowess database. The study has been undertaken for the period of twelve years from 2014 to 2025. To analyse the comparative profitability performance of selected public sector and private sector tea companies, various accounting ratios have been used. Various statistical tools such as A.M., S.D., C.V., have been used to measure the comparative profitability performance and t-test has been used to test of significance.

EMPIRICAL RESULTS AND DISCUSSION

Profitability performance analysis is performance evaluation of a firm which assess the strength and weakness of the firm with the help of identifying profitability position. Ratio analysis helps us to compute and compare the profitability performance between the two company in the same industry and provides relative measures of the company's performance and it can draw a clear picture of profitability performance of the both the company. For measuring profitability appropriate level of profitability indicators are required with whom comparison can be made.

We have taken five profitability performance indicators for measuring the profitability and to compare between the public sector and private sector tea companies in West Bengal.

Comparative Profitability Analysis

Table 1: Descriptive Statistics of Profitability Management of Selected Public Sector and Private Sector Tea Companies in West Bengal

Public Sector Tea Companies					
	ROTI	CPTI	ROCE	ROA	ROS
Min.	-5.585	-2.564	-5.207	-4.433	0.170
Max.	7.429	8.818	11.796	7.307	12.241
Mean	1.211	3.052	3.372	1.368	5.622
S. D.	3.656	3.723	5.1466	3.775	4.064
Var.	13.368	13.859	26.479	14.251	16.512
t-test	0.000	0.000	0.000	0.000	0.000
Private Sector Tea Companies					
	ROTI	CPTI	ROCE	ROA	ROS
Min.	2.075	-2.25	3.05	-5.55	-1.825
Max.	5.575	11.6	9.025	6.235	15.625
Mean	3.403	4.990	5.296	2.827	8.123
.S. D.	1.075	3.879	1.981	2.861	4.881
Var.	1.156	15.050	3.925	8.185	23.825
t-test	0.000	0.000	0.000	0.000	0.000

Data Source: Annexure 1

Table 1 exhibit the mean value of return on total income, cash profit to total income, return on capital employed, return on assets and return on sales of public sector tea companies (1.211, 3.052, 3.372, 1.368 and 5.622) are lower than the mean value of private sector tea companies of the same (3.403, 4.990, 5.296, 2.827 and 8.123), reveals that the return on total income, cash profit to total income, return on capital employed, return on assets and return on sales is not satisfactory in case of public sector tea companies in comparison to private sector tea companies which indicates that the private sector tea companies in West Bengal are more proficient to earn profit, utilising its capital and assets efficiently and effectively than the public sector tea companies. This may be the reason of decreasing sales, higher expenditure on production or sales in the public sector companies and there have some CSR expenditure on the particular companies etc. Again, coefficient of variations of return on total income, cash profit to total income and return on sales (13.368%, 13.859%, 26.479%, and 14.251%) are higher than the coefficients of variations of private sector tea companies of the same (1.156%, 15.050%, 3.925% and 8.185% and 23.825%), demonstrate that the return on total income, cash profit to total income, return on

capital employed and return on assets of public sector tea companies is consistent in the matter of profitability management. But, coefficient of variations of return on sales (16.512%) is lower than the coefficients of variations of private sector tea companies of the same (23.825%), demonstrate that the return on sales of public sector tea companies is satisfactory in the matter of profitability management. One sample t-test shows that mean difference and t-value is not significant at 5% level which indicates that the 1st null hypothesis (Profitability performance of selected public sector tea companies in West Bengal is not satisfactory in compared to private sector tea companies in West Bengal) is accepted.

FINDINGS OF THE STUDY

From the study of the comparative profitability performance analysis of selected public sector and private sector tea companies in West Bengal it can be noticed that profitability management is not satisfactory in all the cases in compared to the private sector tea companies in West Bengal. The public sector tea companies in West Bengal are unable to make minimum profit from selling of tea in compared to private sector tea companies in West Bengal. It may be the reason of poor quality of goods, price competition in the market, low production rate and lack of use of advanced technologies etc.

RECOMMENDATIONS OF THE STUDY

From the above study it can be seen that profitability performance of the public sector tea companies in West Bengal is not satisfactory in compared to private sector tea companies in West Bengal. To improve the profitability performance of public sector tea companies in West Bengal cost of production should be minimised. To increase selling price of the public sector tea companies in the national and international market quality of the tea should be increased. To improve the profitability performance rate of production should be increased in both of public sector as well as private sector tea companies in West Bengal.

CONCLUSIONS OF THE STUDY

From the above study it can be concluded that overall profitability management of public sector tea companies in West Bengal is not proficient in compared to the private sector tea companies in West Bengal. To improve the both of the public sectors and private sector tea companies in West Bengal production should be increased, cost should be minimised, quality of tea should be is increased. Public sector tea companies should use advance technologies.

LIMITATIONS OF THE STUDY

The study suffers from certain limitations. The study fully depended on CMIE Prowess database. The study covers a period of only twelve years from 2014 to 2025. We have collected data of 10 companies only and out of these 6 are public sector and 4 are private sector tea companies and this might not be true representation of the population.

REFERENCES

1. Agarwal, N.P. (1981): *Analysis of Financial Statements*, National Publishing House, New Delhi.
2. Bernstein, A. L. (1978): *Financial Statement Analysis theory, Application and Interpretation*, Richard D. Irwin, New York.
3. Gujarati, D. N (1992): *Basic Econometrics*, Prantice Hall, Delhi.
4. Howard, L.R. (1971): *Working Capital-Its Management and Control*, Macdonald and Evans Ltd., London.
5. Kothari, C.R. (1990): *Research Methodology-Methods and Techniques*, Wishwa Prakashan, Calcutta.
6. Sam, R. Goodman (1970). *Technique of Profitability Analysis*, Jon Wiley & Sons Inc., New Jersey, U.S.
7. Tulsian, M. (2014). *Profitability Analysis(A comparative study on SAIL & TATA Steel)*Journal of Economics and Finance, 3(2)(1), 19-22.
8. Anthony, S. R. G. & Parthasaarathy, A. K. (2013). *An Analysis on Financial Performance of Tata Steel Limited for the Financial Years 2008 to 2012*. International Journal of Commerce, Business and Management, 2(1), 26-34.
9. Arya, N. (2013). *Indian Tea Scenario*. International Journal of Scientific and Research Publications, 3(7), 1-10. [Accessed on: 20.08.2015, at 11.25 (PT)]
10. Atkotiya, K.N. (2005). *Analysis of Financial Performance of Tea Industry in India*. Ph. D. thesis, Saurashtra University, taken online from http://www.thesis.saurashtrauniversity.edu/203/1/atkotiya_kn_thesis_com.pdf [Accessed on: 27.09.2015, at 11.30 (PT)]
11. Bhunia, A., Mukhuti, S. & Roy, G. (2011). *Financial Performance Analysis-A Case Study*. Current Research Journal of Social Sciences, 3(3), 269-275.
12. Goswami, S. & Sarkar, A. (2011). *Analysis of Financial Performance of Tata Steel- A Case Study*. International Journal of Multidisciplinary Research, 1(5), 161-174.
13. Joseph, M. (2002). *Problems and Prospects of Tea Plantation Industry in Kerala*. Ph. D. thesis, Cochin University of Science and Technology, taken online from http://www.dyuthi.cusat.ac.in/xmlui/bitstream/handle/purl/63/dyuthi_T0180.pdf?
14. Kalunda, E. (2013). *Financial Inclusion impact on Small-Scale tea farmers in Nyeri County, Kenya*. International Business and Social Sciences Research Conference, Elizabeth Kalunda, Kimathi University College of Technology, Kenya, taken online from <http://www.wbiconpro.com/601-Elizabeth.pdf>
15. Mosalakae, I. G. B. (2007). *Financial Performance Measurement of South Africa's top Companies: An Exploratory Investigation*. Ph. D. thesis, University of South Africa, taken online from <http://uir.unisa.ac.za/bitstream/handle/10500/1264/00thesis.pdf>
16. Nagoor, B.H. (2009). *Performance of India's Tea Exports: A Comparative Study of Major Tea Exporting Countries of the World*. Conference paper, Fourth Annual International Conference on Public

Policy and Management, Indian Institute of Management Bangalore (IIMB), IGIDR Proceedings/Project Reports Series, taken online from <http://www.igidr.ac.in/pdf/publication/PP-062-21.pdf>

17. Sivanesan, R. (2013). *Tea Industry in India–Analysis of Import and Export of Tea*. International Journal of Business and Management Invention, 2(8), 9-15.

18. Vennila, A. & Mekala, A. (2015). *Financial Performance of Nilgiris Monarch Tea Ltd., Ooty*. International Journal of Innovative Research in Science, Engineering and Technology, 4(6), 3920-3927.

Annexure 1:

Profitability Ratios of Public Sector Tea Companies					
Year	ROTI	CPTI	ROCE	ROA	ROS
2014	-1.867	0.414	-2.292	-2.276	3.017
2015	-2.088	-2.425	-2.183	-3.331	0.170
2016	-5.585	-2.564	-5.207	-4.433	1.454
2017	-2.712	-1.104	-0.961	-2.830	0.405
2018	1.536	3.657	7.033	2.057	8.382
2019	7.429	8.818	11.796	7.307	11.707
2020	4.907	7.418	8.621	6.104	12.241
2021	1.761	4.164	4.530	2.804	7.507
2022	3.375	5.493	7.540	3.246	7.264
2023	3.636	5.443	5.607	3.704	6.825
2024	1.659	3.222	3.114	1.936	3.704
2025	2.488	4.090	2.867	2.131	4.782

Profitability Ratios of Private Sector Tea Companies					
Year	ROTI	CPTI	ROCE	ROA	ROS
2014	3.803	6.303	3.853	3.055	9.873
2015	3.223	6.280	4.380	3.583	9.338
2016	3.775	7.050	4.775	3.575	10.225
2017	3.825	8.750	5.948	4.885	11.575
2018	5.575	11.600	9.025	3.733	15.625
2019	3.725	-1.450	8.150	3.588	3.275
2020	3.985	-2.250	5.450	-5.550	1.775
2021	2.275	3.900	3.425	1.900	-1.825
2022	2.175	4.675	4.000	3.008	8.625
2023	4.300	6.625	7.600	6.235	12.650
2024	2.100	4.900	3.050	2.453	9.010
2025	2.075	3.500	3.900	3.463	7.333