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"AN ANALYTICAL STUDY ON PROFITABILITY OF SELECTED CHEMICAL COMPANIES IN INDIA"

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Abstract

This is an analytical study on profitability of selected chemical companies in India. The main purpose of this study is to evaluate the profitability and make suggestions for the improvement in profitability of the selected companies. The study period of this research is five years from 2018-19 to 2022-23. One chemical company selected for this study. Net profit ratio, gross profit ratio and earnings per share are four ratios for this research. After this ratio analysis we can conclude that these three ratios fluctuated in nature and year 2021-22 much profitable compare to other year.

1. Introduction

Profit and profitability were concepts that they may be utilised simultaneously. But there is a true gap between the two. Whereas profitability is an informal idea, profit is an actual phrase. Still, they perform different roles in business and are dependent on each other and closely linked. Profit is the whole income earned by an organisation through the duration of the period, while profitability is the operational efficiency of the organisation. The potential of the company, corporation, firm, or industry to turn a profit via all of their business activities is recognised as profitability. It displays the way the management may turn profits by applying each resource of the market place. Profitability can be described as "the ability of a given investment to earn a return via its usage" by Harward & Upton. Still, "efficiency" and "profitability" aren't the exact same concept. As a measurement of efficiency and an instrument of management over improving efficiency, profitability is an indication of efficiency. If profitability provides an appropriate standard to evaluate effectiveness, its level can't be considered to be solid indication of effectiveness. On one hand, an appropriate level of efficiency might be associated with a lack of profit. Sometimes sufficient earnings can indicate efficiency. The net profit ratio just shows that the amounts provided and gained were appropriately balance. The ability of a business to remain profitable has become very much dependent on lots of things, not just the shift in efficiency of operations. Moreover, a number of various variables affect profitability in addition to efficiency.

2. Literature review

(vikas, 2012) The research paper, Determinants of Capital Structure: A Case of the Indian Chemical Industry includes the period from 2006 to 2011 and utilises convenient sampling to pick a sample. The dimensions, profits, palpability, and free of debt position shields, growth of assets, liquidity, and interest coverage ratio were each applied to investigate the way they impact the capital structure linear. The sample chose through sampling for convenience. For the purpose of evaluating the hypothesis, statistical approaches that include as correlation, multiple regressions, and ANOVA can be used. These results reveal a linear connection among tangibility, non-debt tax shield, and interest coverage ratio, and an irregular connection between the rest of the variable and capital structure. An ANOVA indicates that the model performs well overall.

(Vasantha, 2019) Applying the Earnings per Share (EPS), Dividend per Share (DPS), and Profit Earning Ratio, the effects of the Profit Earning (PE) ratio on the price of shares is studied. The investigation of Z-Stat, T-state, and AIC test is performed by impact on the shares price. The 2013–2017 financial information sources were utilised. While compared with alternate ratios, the findings reveal that the picked ratios achieved lower effects.

(all, 2014) Growth and Productivity Analysis of Tamilnadu Chemical Industry: The key objective of the following paper is to explore the growth and productivity of Tamilnadu chemicals sector prior to and post the liberalisation process, period 1980–1981 to 2001–2002. Either prior to and after the liberalisation process, capital efficiency was lower and labour efficiency was higher. The long-term improvement in efficiency required greater investment in chemical technologies and research by the public and the private sectors.

(**prasad**, **2015)** The ratios of profitability have an effect on Indian industry capitalization decisions. Some variables that are currently considered to be impacting the company's market capitalization involve return on equity, return on net worth, dividend payout ratio, earnings per share, net profit margin, and return on capital employed. The 23 infrastructure organisations' five-year information, covering from 2009 to 2014, was used. The investigation's was regression and correlation analysis. That resulted from knowing that the various factors of return on capital employed and earnings per share having connection with capitalisation.

(sampathkumar.T, 2006) The study performed an intra-sector look at productivity in the Indian chemical industry. The researchers divided the study period into two phases: the pre-reform period (1980–1981 to 1990–91) and the post-reform period (1991–92 to 2001–02), including a It was required to define the period in order to figure out how economic reforms impacted the increases in overall productivity. The sources used for the research were ASI and RBI publications, and it identified the trend in growth of the Indian Chemical Sector's overall efficiency at the sub-sect oral stage. Applying the Tran Slog model, the research additionally calculated TFP (total-factor productivity). Total factor productivity growth (TFPG) of pharmaceutical, paints and varnishes have been shown by the results. Because of the importance of the change and a decrease in the degree that negative growth in productivity, the basic chemical and dyestuff sectors have performed well in the post-reform era. It was claimed that taken intra-sect oral variation into account while making aggregate-based policy decisions would result in further acceptable decisions.

3. Objectives of the study

- To examine the profitability performance of a selected sample of Indian chemical companies.
- The purpose of this research is to examine the financial performance of a chosen group of chemical companies in India.
- Provide suggestions to boost the profitability of these companies.

4. Period of the study

The period of this study is from 2018-19 to 2022-23.

5. Data collection

The secondary data utilised for this study was collected from the published annual reports of a particular company, Indian Glycols Ltd. Other related to business material has been collected from various kinds of publications, books, websites, and online resources and also utilised with the aim to improve reliability. This study makes use of options found in business practices, accounting literature, annual reports, and other publications.

6. Data analysis

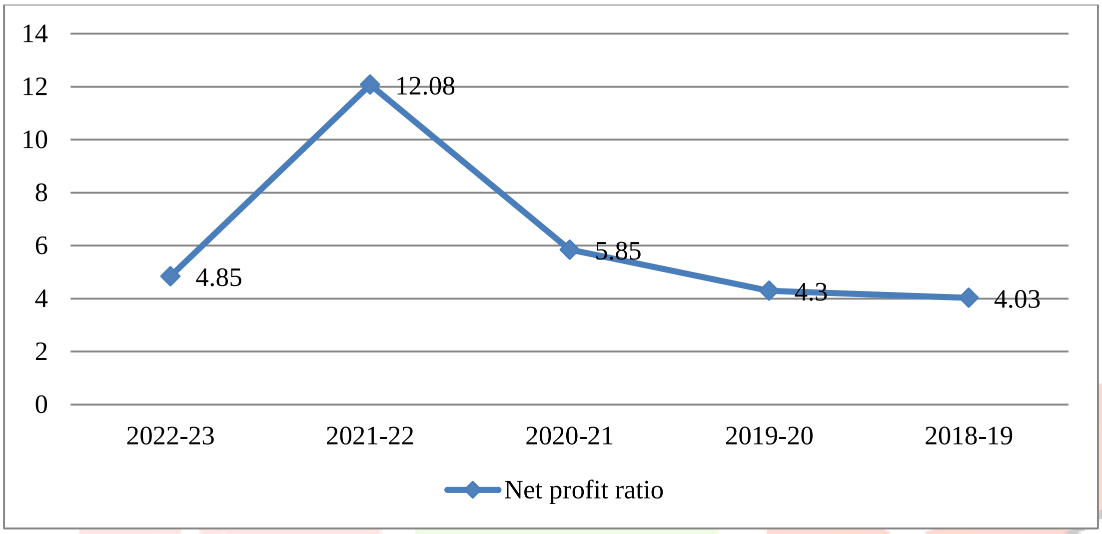
Profitability ratios

6.1 Net profit ratio

Year	Net profit	Sales	Net profit Ratio
2022-23	125.50	2577.02	4.85
2021-22	339.85	2813.28	12.08
2020-21	131.61	2248.19	5.85
2019-20	114.66	2667.47	4.30
2018-19	132.61	3286.87	4.03
Minimum level	114.66	2248.19	4.03
Maximum level	339.85	3286.87	12.08
Average level	168.762	2718.566	6.222

(sources: Annual report of Indian glycols ltd from the 2018-19 to 2022-23)

Graphical presentation 1



Analysis

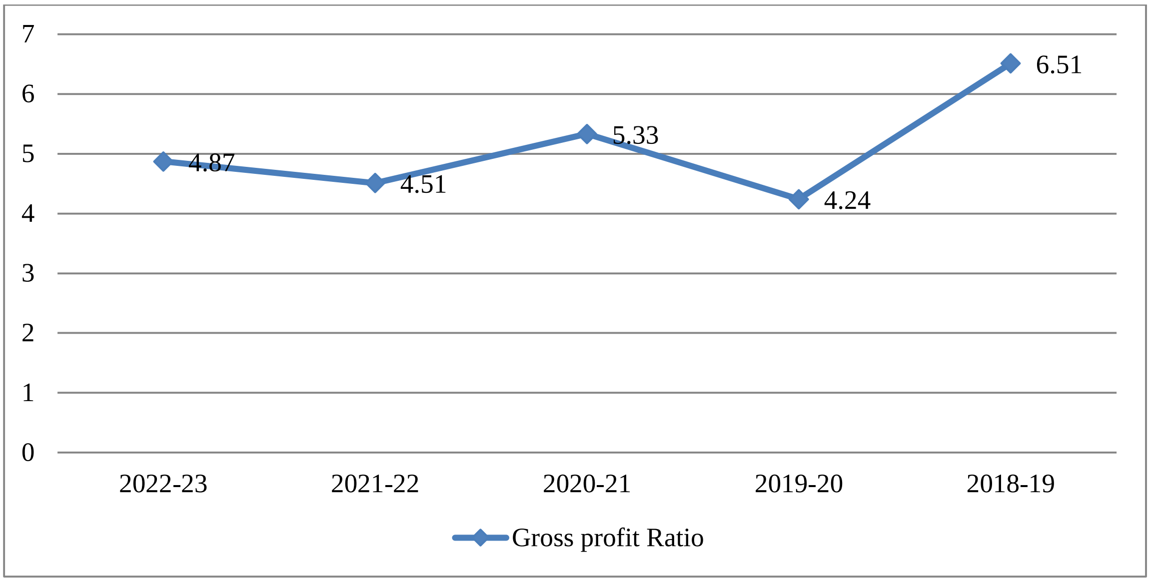
The profitability ratio research on the net profit ratio for the years 2018–19 to 2022–2023 is displayed in the table above. The trend suggests that the net profit ratio is going through fluctuations. In 2018–19, the minimum net profit ratio is 4.03.In 2021–2022, the maximum net profit ratio is 12.08. It was discovered that the average net profit ratio was 6.222.

6.2 Gross profit ratio

Year	Gross profit	Sales	Gross profit Ratio
2022-23	125.50	2577.02	4.87
2021-22	126.79	2813.28	4.51
2020-21	119.76	2248.19	5.33
2019-20	113.13	2667.47	4.24
2018-19	214.07	3286.87	6.51
Minimum level	113.13	2248.19	4.24
Maximum level	214.07	3286.87	6.51
Average level	139.85	2718.57	5.092

(sources: Annual report of Indian glycols ltd from the 2018-19 to 2022-23)

Graphical presentation 2



Analysis

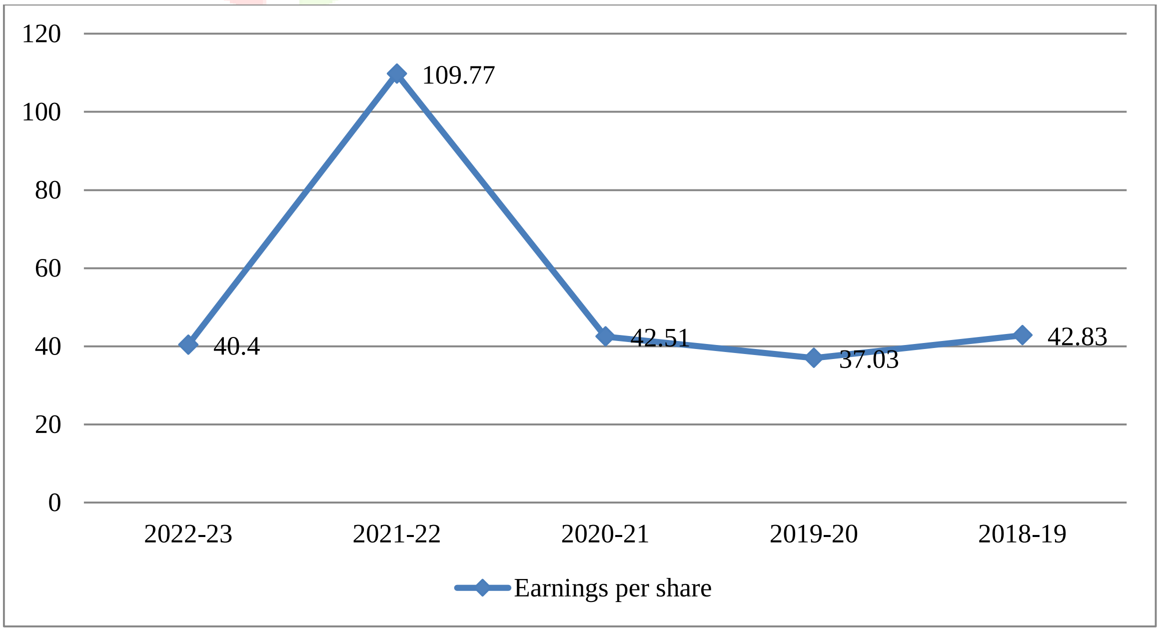
The profitability ratio research on the gross profit ratio for the years 2018–19 to 2022–2023 is displayed in the table above. The trend suggests that the gross profit ratio is going through fluctuations. In 2019–20, the minimum gross profit ratio is 4.24.In 2018–19, the maximum gross profit ratio is 6.51. It was discovered that the average gross profit ratio was 5.092.

6.3 Earnings per share (EPS)

Year	Net profit after tax	Numbers of equity share	Earnings per share
2022-23	125.08	309.6	40.40
2021-22	339.85	309.6	109.77
2020-21	131.61	309.6	42.51
2019-20	114.66	309.6	37.03
2018-19	132.61	309.6	42.83
Minimum level	114.66	309.6	37.03
Maximum level	339.85	309.6	109.77
Average level	168.762	309.6	54.508

(sources: Annual report of Indian glycols ltd from the 2018-19 to 2022-23)

Graphical presentation 3



Analysis

The profitability ratio research on the earning per share for the years 2018–19 to 2022–2023 is displayed in the table above. The trend suggests that the gross earnings per share is going through fluctuations. In 2019–20, the minimum earning per share is 37.03. In 2021–22, the maximum earning per share is 109.77. It was discovered that the average earning per share was 54.508.

7. Findings

NET PROFIT RATIO (%)

The net profit ratio indicates the way that management produces, operates, and sells its products. It also indicates the relationship between net profit and sales. This ratio provides an overall measure of the company's capacity of earning net profit from every rupee sold. That ratio also demonstrates the durability the business is to challenging financial conditions. A company having a high net profit ratio would have a better chance of surviving when faced with lowering selling prices, increasing production expenses, or a decline in demand for the product. In the Indian glycols ltd net profit ratio 2018-19 was 4.03% after that this ratio increase in 2019-20 and reach the 4.30% after that 2020-21 ratio was 5.85% and 2021-22 net profit ratio increase and reach the 12.08% after that 2022-23 this ratio decreasing and reach the 4.85%. So we conclude that net profit ratio was fluctuated.

GROSS PROFIT RATIO (%)

The gross profit ratio indicates the total value of sales compared with costs. The efficiency of the organization's operations is calculated by this ratio. The efficiency with which management creates each unit of goods is shown in the gross profit ratio. This ratio displays the typical difference between the revenue from sales and the cost of products sold. A large margin of gross profit in comparison with the company average shows that the business can produce at relatively lower costs. In Indian glycols ltd gross profit ratio 2018-19 was 6.51% after that this ratio decrease in 2019-20 and reach the 4.24% and gross profit ratio was increased in 2020-21 was 5.33% after that this ratio decrease in 2021-22 and reach the 4.51 % and 2022-23 gross profit ratio slowly increased and reach the 4.87%. So we can conclude that gross profit ratio was much fluctuated.

EARNING PER SHARE (%)

One frequently utilised statistic to calculate the value of a company is earnings per share (EPS) that demonstrates how much money a business generates for each and every share of its stock. Because investors will pay higher for a company's shares when they believe it has better earnings compared to its share price, a higher EPS is indicated of greater value. EPS can be calculated by a variety of approaches like a diluted basis or by eliminating exceptional assets or stopped activities. In Indian glycols ltd EPS was 42.83 in 2018-19 after that EPS are decrease in 2019-20 and reach the 37.03 and EPS was increase in 2020-21 was 42.51 and 2021-22 much increase in EPS and reach the 109.77 after that this was decrease in 2022-23 and reach the 40.40. So we can conclude that Earning per share was fluctuated in nature.

8. Conclusion

After the study researcher has been conclude on the basis of available data and useful information that selected chemical company net profit ratio, gross profit ratio and earnings per share was fluctuated in nature.

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