

A Study on The Profitability Analysis of Baba Things India Private Limited

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Abstract- Profitability analysis is a key financial tool used to assess the operational efficiency and financial stability of a business enterprise. This study evaluates the profitability performance of Baba Things India Private Limited, a textile and soft-goods manufacturing company based in Puducherry. Using secondary data extracted from audited financial statements for the period 2021–2025, the analysis examines major profitability indicators, including Gross Profit Ratio, Net Profit Ratio, Return on Assets, Return on Capital Employed, and Asset Turnover Ratio. Statistical tools such as mean, standard deviation, and coefficient of variation were applied to measure stability and variability. The results indicate consistent gross profit margins but fluctuating net profitability, mainly due to variations in operating costs and asset utilization. ROA and ROCE displayed significant fluctuations, reflecting inconsistent capital efficiency. Overall, the findings highlight the need for improved cost management, better capital allocation, and enhanced operational strategies for sustainable profitability.

Keywords- Profitability, Ratio Analysis, Financial Statement Analysis, ROA, ROCE, Baba Things India Pvt Ltd

I. INTRODUCTION

Financial statements provide a structured representation of a company's financial position and performance. Profitability analysis is a vital component of financial evaluation as it measures the firm's ability to generate earnings from its operations, assets, and capital employed. In the context of the textile industry—characterized by competitive pricing, fluctuating raw-material costs, and operational complexities—profitability assessment becomes crucial for decision-making.

Baba Things India Private Limited is a Pondicherry-based textile and soft-goods manufacturing company known for high-quality tailoring, diversified product portfolios, and ethical business practices. Evaluating the company's profitability over a five-year period offers insights into its operational strengths, cost efficiency, and financial resilience.

This study aims to analyze key profitability ratios to assess performance trends and support future strategic planning.

II. IDENTIFY, RESEARCH AND COLLECT IDEA

The research process involved the following steps:

1. Review of Company Financial Statements

Audited financial statements of Baba Things India Pvt Ltd for 2021–2025 were collected and examined to extract relevant financial data.

2. Literature Review

Existing research on profitability analysis, financial performance evaluation, and textile industry financial structures was reviewed to build a theoretical foundation.

3. Understanding Profitability Indicators

Key profitability ratios selected for analysis include:

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Return on Assets
- Return on Capital Employed
- Contribution Margin Ratio
- EBITDA Margin
- Asset Turnover Ratio

4. Research Methodology

The study follows an analytical approach based entirely on secondary data. Ratio analysis, statistical analysis, and trend analysis were applied to interpret financial performance.

III. WRITE DOWN YOUR STUDIES AND FINDINGS

A. Gross Profit Ratio Analysis

The Gross Profit Ratio showed moderate fluctuations, declining in 2023 due to high production costs and later recovering in 2024–25. The company maintained stable gross margins, reflecting effective cost control at the production level.

B. Net Profit Ratio Analysis

Net Profit Ratio displayed significant variability, falling to its lowest in 2023. Rising administrative and operational expenses contributed to the decline. Although slight recovery occurred in 2024–25, overall profitability remains highly inconsistent.

C. Operating Profit Ratio

Operating profit margins experienced noticeable decline during the mid-years, indicating increased operating expenses. Partial recovery occurred later due to improved expenditure management.

D. Return on Assets (ROA)

ROA dropped sharply in 2023 because of asset expansion without proportional profit increase. Later improvement suggests better utilization, though inconsistency remains a concern.

E. Return on Capital Employed (ROCE)

ROCE showed extreme fluctuations, reflecting variability in capital efficiency. High capital employed in 2023 significantly reduced returns, indicating underutilization.

F. Asset Turnover Ratio

The ratio improved steadily, highlighting strengthening efficiency in generating sales from total assets.

Overall Interpretation

While operational efficiency increased in certain areas, instability in net profits and capital returns indicates the need for improved cost structures and better capital allocation.

IV. GET PEER REVIEWED

This journal paper was reviewed by faculty experts in financial management. They verified ratio calculations, interpretations, and statistical tools used in the study. Feedback emphasized strengthening discussion on profitability variations, which has been incorporated into this version.

V. IMPROVEMENT AS PER REVIEWER COMMENTS

Reviewer suggestions implemented include:

- Enhancing justification for ratio fluctuations
- Expanding discussion on ROA and ROCE variability
- Refining the abstract for academic clarity
- Strengthening conclusion with practical recommendations

All improvements have been integrated to meet journal quality standards.

VI. CONCLUSION

The profitability analysis of Baba Things India Private Limited reveals that while the company maintains strong gross margins and efficient asset utilization, its net profitability and capital-based returns are inconsistent. Fluctuating ROA and ROCE indicate inefficiencies in asset deployment and rising operational costs during certain years. To ensure long-term financial stability, the company must adopt stringent cost-control strategies, enhance working-capital efficiency, and improve capital allocation. With appropriate financial planning and operational reforms, Baba Things India Pvt Ltd can significantly strengthen profitability and sustain competitive advantage.

VII. ACKNOWLEDGMENT

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