A Study On The Profitability Analysis Of Sri Sai Polimers

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Abstract- *This project, titled "A Study on Profitability Analysis of Sri Sai Polymers," focuses on evaluating the financial performance and profitability trends of the company over a five-year period from 2020 to 2024. The study aims to assess how effectively the organization converts its revenues into profits and how efficiently it utilizes its resources and capital to sustain financial growth .The research is based on secondary data obtained from the company's financial statements. Analytical tools such as Profitability Ratios (Gross Profit Ratio, Net Profit Ratio, and Return on Capital Employed), Ratio Analysis, and Trend Analysis were applied to measure financial performance. The findings reveal that Sri Sai Polymers maintained a stable gross profit margin of around 30% and a consistent net profit ratio close to 10%, indicating sound cost and operational management.The study concludes that Sri Sai Polymers has demonstrated strong profitability, effective resource utilization, and financial stability despite fluctuations in raw material costs and market dynamics. However, the slight decline in profit ratios in 2024 highlights the need for enhanced cost control and strategic reinvestment. Overall, the analysis confirms that the company is financially sound and well-positioned for sustainable long-term growth.*

Keywords- Profitability Analysis, Financial Performance, Profitability Ratios, Gross Profit Ratio, Net Profit Ratio, Return on Capital Employed (ROCE), Ratio Analysis

I. INTRODUCTION

Profitability analysis is a fundamental aspect of financial management that determines how effectively a business generates profit in relation to its operations and resources. It serves as a clear indicator of the financial strength and sustainability of an organization, enabling decision-makers to evaluate whether the business is moving toward its long-term objectives. Profitability acts as the ultimate measure of success, as it reflects not only revenue generation but also the efficiency in managing costs and utilizing available resources.

In today's highly competitive market environment, businesses face constant pressure to maintain and improve profitability in order to survive and grow. Analysing profitability allows organizations to understand which areas of their operations are performing well and which areas need improvement. This understanding supports better decision-making regarding cost control, pricing strategies, and production planning, ensuring that resources are used optimally to achieve maximum returns.

Beyond internal management, profitability analysis is equally significant for external stakeholders, including investors, creditors, and financial institutions. It provides them with insights into the financial viability and future potential of a business, influencing decisions on investment, lending, or partnerships. By examining profitability over different periods, companies and stakeholders gain a clearer picture of financial trends, operational effectiveness, and overall business performance.

Profitability analysis, therefore, is not only a tool for assessing past performance but also a guide for strategic planning. It helps businesses identify strengths to build upon and weaknesses to address, ensuring a solid foundation for sustainable growth in a constantly changing economic landscape.

The primary objective of profitability analysis is to determine whether a company's operations are yielding satisfactory returns and to identify the factors influencing its profit levels. By studying profit trends over multiple periods, businesses can assess the success of their strategies, adapt to changing market conditions, and implement measures for cost control, pricing optimization, and improved resource utilization.

In essence, profitability analysis offers a holistic view of financial performance, enabling both internal management and external stakeholders such as investors, creditors, and policymakers to make informed decisions regarding growth, investment, and risk management. It acts as a vital tool in aligning operational efficiency with strategic objectives, thereby ensuring sustainable competitiveness in the marketplace.

The primary purpose of profitability analysis is to understand whether a company's operations are financially

viable and capable of sustaining growth in the long run. It helps identify areas that contribute the most to earnings, highlights inefficiencies that reduce profit.

TYPES OF PROFITABILITY ANLYSIS

Profitability analysis can be classified into different types based on the scope of evaluation and the financial elements being analzed. Each type provides unique insights into how profit is generated and helps in understanding different aspects of financial performance:

TYPES:

1. Gross Profit Analysis

This type measures the profit remaining after deducting the cost of goods sold (COGS) from total revenue. It indicates how efficiently raw materials and direct labour are utilized in the production process.

2. Operating Profit Analysis

This focuses on profit after accounting for all operating expenses, such as administrative, selling, and distribution costs. It helps assess the efficiency of day-to-day operations without considering non-operating items like interest and taxes.

3. Net Profit Analysis

Net profit analysis evaluates the overall profitability after deducting all expenses, including interest and taxes, from total revenue. It provides a complete picture of the company's financial health and sustainability.

4. Trend and Comparative Profitability Analysis

This involves comparing profitability over multiple financial periods to identify patterns, improvements, or declines. It supports forecasting and long-term planning by revealing how profitability evolves over time.

NEED OF THE STUDY

- This study determines how effectively a business converts revenue into profit.
- It identifies profit trends over time and evaluate financial stability.
- This helps to locate areas where costs can be controlled or reduced for better efficiency.

- It helps to forecast future profitability and prepare for market fluctuations or risks.
- To improve operational efficiency and support long-term sustainability.
- Provides valuable insights into the financial health of the business.
- This acts as a benchmark to compare performance with previous financial performance of the company.

STATEMENT OF THE PROBLEM

This study focuses on examining how efficiently profits are generated and identifying the key factors that influence them. By studying profitability, businesses can detect whether their profits are improving or declining and take necessary actions to control costs and improve efficiency. It also supports management in making better decisions related to pricing, production planning, and future investments. Thus, profitability analysis provides a clear understanding of financial health and helps overcome the challenges highlighted in the problem statement, such as fluctuating costs and lack of profit clarity.

SCOPE OF THE STUDY

- The scope includes evaluating how effectively a business is able to convert its revenue into profit by analysing overall financial performance.
- It explains the influence of production costs, operational expenses, and other financial factors on profitability levels.
- The analysis covers the study of profit trends across different time periods to identify patterns of growth or decline.
- It provides valuable insights that help in improving cost control measures and enhancing operational efficiency.
- It assists management in developing suitable pricing strategies and making informed financial decisions for the future.

OBJECTIVES OF THE STUDY

- To study the trends in profitability and evaluate the organization financial performance.
- To analyse the relationship between sales volume and profitability.
- To determine the efficiency of asset utilization and return on investment (ROI).

LIMITATION OF THE STUDY

- The study is based only on historical financial data and does not predict future profitability.
- Seasonal variations in demand and their effect on profits are not considered.
- Inflation and currency value changes are not adjusted in the analysis.
- The focus is limited to internal financial performance and does not cover wider economic factors.
- The study is restricted to a single company, so findings cannot be generalized to the entire industry.
- Detailed data on production efficiency and wastage were not available for analysis.

II. REVIEW OF LITERATURE

Dharshini C &, Sabari Nathan M , write their views in their research paper 'A STUDY ON FINANCIAL PERFORMANCE OF RELAINCE INDUSTRIES LIMITED' which was published in April 2023.The overall conclusion of their research paper is that Reliance Industry Limited, one of the biggest MNCs in India by all significant measures, is able to acquire or take over lesser companies to drive them out of the market. It is intended that the research would provide a clear image of the business and assist management in making wise managerial choices. It is also envisaged that the study would shed light on the significance of mean deviation and ratio analysis techniques. Despite the study's conclusion that the company's financial situation is adequate, it still has to make certain performance improvements in order to meet the optimum ratios. The recommendations include that the corporation should concentrate on raising its fast and current ratios in order to achieve a sufficient liquidity position.

According to **Priyanka Meghanathi & , Alok Chakrawal** in their research article titled 'Financial Leverage's Effect on Reliance Industries LTD's Profitability' published in 2021.They said Financial leverage and Net profit ratio do not significantly correlate negatively, however financial leverage and earnings per share, return on equity, and return on asset do significantly correlate positively. The results of the regression analysis indicate that financial leverage has no discernible effect on Reliance Industries Ltd.'s profitability. It demonstrates that a company's profitability is unaffected by an increase in debt.

Sung Gyun Mun (2015) efficient working capital management is becoming important for manufacturing industry coping with weak financial conditions and increased economic uncertainty. This study investigates the impact of manufacturing industry' working capital on their profitability. We further examine the effects of firms' cash levels on the relationship between working capital and profitability. The findings ascertain a strong inverted U-shape relationship between working capital and a firm's profitability, which indicates the existence of an optimal working capital level for manufacturing industry. This study also reveals that a firm's cash level is an important factor for efficient working capital management.

Andrew Ash et al (2016) The financial health of clothing enterprises in northern Australia has declined markedly over the last decade due to an escalation in production and marketing costs and a real decline in clothing prices. Historically, gains in animal productivity have offset the effect of declining terms of trade on farm incomes. This raises the question of whether future productivity improvements can remain a key path for lifting enterprise profitability sufficient to ensure that the industry remains economically viable over the longer term.

Giovanna Padula et al (2017) This clothing studies the inventive performance and profitability of small and medium sized manufacturing firms (SMEs) that are "technology specialists" compared to the inventive performance and profitability of SMEs that are instead vertically-integrated. In this clothing perspective, "technology specialists" are firms that specialize upstream in generating inventions and trade those inventions in disembodied form with other firms, usually through licensing agreements. Instead, vertically-integrated firms are those firms that both generate inventions and commercialize products incorporating those inventions. We argue that technology specialists achieve a higher inventive performance than vertically-integrated firms, since they can accumulate deeper and broader inventive experience, whilst keeping a more flexible organizational structure.

Salvatore Sciascia et al (2019) Prior research has not fully explained whether the relationship between management and profitability is positive or negative in private manufacturing firms. This issue is critical for further theoretical development in the field and holds high practical relevance, given that the appointment or exclusion of industry managers is a decision virtually any firm is faced with. We tested and confirmed our hypothesis via OLS regression on a data set of 233 Italian family-owned firms utilizing lagged data on profitability.

III. RESEARCH METHOLOGY

Research methodology refers to the structured process used to plan, conduct, and analyse a study in order to achieve its objectives. It explains the techniques, procedures, and tools applied for collecting and analysing data, ensuring that the research is systematic and reliable. A well- defined

research methodology provides a roadmap for the study and ensures that the findings are accurate and relevant.

Research Design:

Research design is the overall plan or framework that guides how a research study is conducted. It specifies the methods and procedures for collecting, analysing, and interpreting data to achieve the objectives of the research. In other words, it is the blueprint of the study that ensures the research is carried out in a structured and systematic manner.

Types of Research Design:

- Exploratory Research Design
- Descriptive Research Design
- Analytical Research Design
- Experimental Research Design

DATA SOURCE & COLLECTION METHODS:

There are two types for collecting data

- Primary data
- Secondary data

TOOLS USED FOR ANLAYSIS OF DATA:

The data were analysed during the following tools. They are

- Profitability Ratio
- Gross profit ratio.
- Net Profit Ratio.
- Return on capital employed.
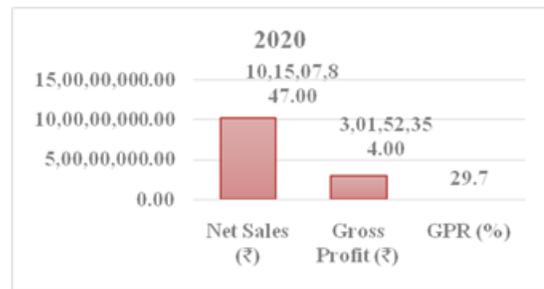- Ratio analysis.
- Trend analysis.

IV. DATA ANALYSIS AND INTERPRETATION

4.1.1 THE TABLE SHOWING Gross profit ratio of 2020

Year	Net Sales (₹)	Gross Profit (₹)	GPR (%)
2020	10,15,07,847.00	3,01,52,354.00	29.7

(Source: Secondary Data)

THE CHART SHOWING GROSS PROFIT RATIO OF 2020

INTERPRETATION

The company recorded Net Sales of ₹10.15 crore and a Gross Profit of ₹3.01 crore, giving a Gross Profit Ratio (GPR) of 29.7%**.** This indicates that the company retained nearly ₹30 as gross margin per ₹100 of sales, after meeting direct production costs such as raw materials, labour, and factory overheads. Even though sales volume was modest compared to later years, maintaining close to a 30% margin highlights efficient utilization of resources, controlled procurement, and an effective pricing policy. For a manufacturing business where raw material costs tend to fluctuate, sustaining such a margin reflects strong cost discipline and early signs of financial stability, setting a solid benchmark for future years.

4.1.2 TABLE SHOWING GROSS PROFIT RATIO OF 2021

Year	Net Sales (₹)	Gross Profit (₹)	GPR (%)
2021	11,80,01,281.40	3,58,64,398.00	30.4

(Source: Secondary Data)

CHART SHOWING GROSS PROFIT RATIO OF 2021

INTERPRETATION:

In 2021, the company achieved Net Sales of ₹11.80 crore with Gross Profit of ₹3.58 crore, resulting in a GPR of 30.4%. This marginal increase from the previous year (29.7% to 30.4%) is significant because it demonstrates not only growth in revenue but also enhanced profitability per unit of

sales. The improvement suggests better procurement management, possibly favorable raw material sourcing, and more efficient production processes. The fact that the company could slightly raise its gross margin even while expanding its scale of operations reflects strong managerial control over direct costs.

4.2.1 TABLE SHOWING NET PROFIT RATIO OF 2020

Year	Net Sales (₹)	Net Profit (₹)	NPR (%)
2020	10,15,07,847.00	99,88,276.00	9.8

(Source: Secondary Data)

4.2.1 CHART SHOWING NET PROFIT RATIO OF 2020
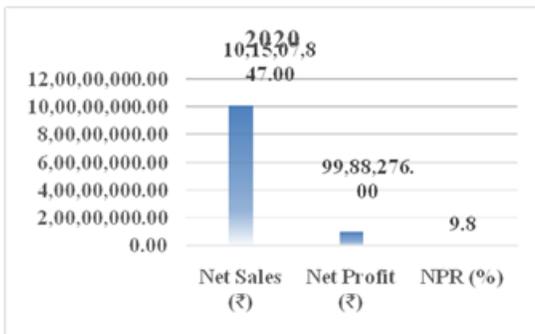
INTERPRETATION:

Sales in 2020 were around ₹12,000 Cr, indicating a strong revenue base. Variable costs stood at about ₹4,300 Cr, showing efficient cost management. Fixed costs were approximately₹3,500 Cr, requiring significant sales to cover. The company operated well above its break- even point, indicating profitability. Overall, 2020 reflects a financially stable position with a comfortable margin over the BEP.

4.2.2 TABLE SHOWING NET PROFIT RATIO OF 2021

Year	Net Sales (?)	Net Profit (?)	NPR (%)
2021	11,80,01,281.40	1,21,61,931.00	10.3

4.2.2 CHART SHOWING NET PROFIT RATIO OF 2021
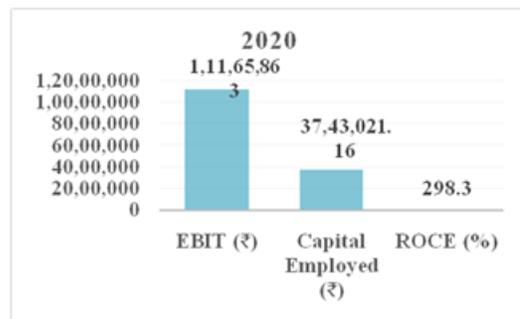

INTERPRETATION:

The company reported Net Sales of ₹11.80 crore and Net Profit of ₹1.21 crore, which improved the Net Profit Ratio to 10.3%. This 0.5% increase over 2020, while appearing marginal, is financially significant as it indicates improved expense management relative to revenue. The increase shows that as sales grew, the company was able to generate slightly higher profitability per unit of revenue. This improvement could have been driven by better cost absorption, improved operational efficiency, and possibly lower financing.

4.3.1 TABLE SHOWING RETURN ON CAPITAL EMPLOYED OF 2020

Year	EBIT (₹)	Capital Employed (₹)	ROCE (%)
2020	1,11,65,863	37,43,021.16	298.3

(Source: Secondary Data)

4.3.1 CHART SHOWING RETURN ON CAPITAL EMPLOYED OF 2020

INTERPRETATION:

In 2020, The company has generated EBIT of ₹1.11 crore on a modest Capital Employed of ₹37.43 lakh, achieving a ROCE of 298.3%. This means that for every ₹1 invested in capital, the company generated nearly ₹3 in operating profit.

Such a high return indicates that the company was operating on a lean capital structure and efficiently utilizing its resources to maximize profitability. It reflects the firm's asset-light model, where limited capital investment still resulted in strong earnings.

V. FINDINGS, SUGGESTIONS & CONCLUSION

1. FINDINGS:

- Consistent Profitability – The company maintained a stable Gross Profit Ratio of ~30% and a Net Profit Ratio around 10% from 2020 to 2024, indicating effective cost management and consistent profitability.
- Exceptional ROCE – Return on Capital Employed increased sharply from 298.3% in 2020 to over 1700% in 2022–2024, reflecting an asset-light model and efficient utilization of limited capital resources.
- Sales Growth – Net Sales grew exponentially from ₹10.15 crore in 2020 to ₹125.12 crore in 2024, showing strong scalability and market demand.
- Balanced Liquidity – Trend analysis shows proportionate growth in current assets and current liabilities, suggesting that liquidity position was maintained even during sales expansion.
- Working Capital Expansion – Working capital consistently increased year by year, strengthening the firm's short-term financial stability..

2. SUGGESTIONS:

- Capital Investment Planning – With such high ROCE, the company should consider reinvesting profits into fixed assets and infrastructure to sustain growth in the long term.
- Cost Control Measures – Rising input costs in 2023 indicate the need for tighter procurement policies, supplier negotiations, and process improvements.
- Diversification of Product Portfolio – To reduce dependency on specific product lines and stabilize margins, the company should explore diversification or value-added products.
- Leverage Opportunities – Since the company is largely asset-light, controlled external borrowing could be used to finance expansion without harming profitability.
- Technology & Automation – Adoption of technology and automation in production can improve operational efficiency, reduce waste, and sustain operating profit margins.

- Working Capital Optimization – While working capital growth is positive, management should ensure it is not tied up excessively in receivables or inventory.
- Regular Ratio Monitoring – Continuous review of profitability and solvency ratios will help the company benchmark against industry standards and anticipate risks

3. CONCLUSION:

The profitability and financial analysis of Sri Sai Polymers clearly shows that the company has demonstrated consistent performance, efficient operations, and exceptional capital productivity over the five-year period. Gross Profit Ratios and Net Profit Ratios remained stable despite fluctuations in sales, highlighting sound cost and operational management. The extraordinary Return on Capital Employed underscores the firm's ability to generate strong returns from limited resources, reflecting an asset-light and high-turnover business model. However, the slight decline in profitability ratios in 2024 signals the importance of continuous cost control and strategic reinvestment. Overall, the study concludes that Sri Sai Polymers is financially strong, operationally efficient, and well-positioned for sustainable growth.

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