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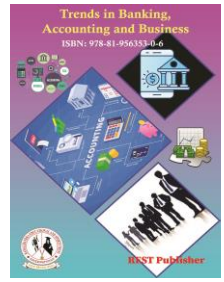

A Study on Profitability Analysis of Ab Clothing Co at Bangalore

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Abstract: *The textile industry in India, particularly in Tamil Nadu, has been growing at a rapid pace. The industry is dominated by large units and it has been able to undergo significant modernization since the 1990s. If financial performance does not operate well, the whole organization's activity will be ruined. Finance is one of the basic foundations of all kinds of economic activities. Many industries have closed down because of financial instability. But the official figures in respect of closures do not adequately reflect this fact. In a competitive business growth and success of company depends mainly on the profitability of such industry. This study is directed towards analysing the profitability of company in the region. The study covers the various problems relating to the profitability of the selected companies of Hosur. Business finance mainly involves the raising of funds and thus effective utilization keeping in view the overall objective of the firm. The management makes use of various financial techniques, for administering the financial affairs of the firm in the most efficient way to improve profitability.*

1. INTRODUCTION

Profitability Analysis is key to organizations' ability to understand what they should focus on in the future. There are many different ways to analyse profitability, from backward looking trend analyses to predictive modelling of the future. There are also many ways theories about how profitability should be analyzed. Profitability costing is the concept of assigning all costs incurred by a company to the various products or relationships the organization maintains in an effort to determine which products or relationships are the most profitable. Meaning of profitable: Profitability determines whether a business stays in business. In this lesson, you'll learn about profitability and different ways to analyze it. A short quiz follows the lesson. Definition: Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business' activities. Meaning of Profitability Analysis: Profitability analysis is a component of enterprise resource planning (ERP) that allows administrators to forecast the profitability of a proposal or optimize the profitability of an existing project. Profitability analysis can anticipate sales and profit potential specific to aspects of the market such as customer age groups, geographic regions, or product types.

Profitability analysis can help key personnel in an enterprise to:
Identify the most and least profitable clients.
Identify the most and least profitable products or services.
Discover which sources of information offer the most reliable facts.
Optimize responses to changing customer needs.
Profitability Ratio Definition: A profitability ratio is a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses relatedto earning the income. The formulas you are

about to learn can be used to judge a company's performance and to compare its performance against other similarly-situated companies.

2. REVIEW OF LITERATURE

Rakesh and Kulkarni (2019) analyzed the Textile industry profitability analysis evaluation on selected five company for the eleven years and performed ratio analysis, descriptive statistics etc. The study concluded with all the company financial performance with sound effective as well as current and quick ratio, current asset on total asset, sales, turnover etc. are analyzed with the help of hypothesis. In this research also researcher followed this attributes.

Zahid and nanik (2019) concludes the overall profitability of the Textile sector was adversely affected by crisis through analysis of income statement, debt payment ability, management and inventory sales, receivables, productivity, fixed assets, etc. He found that profitability more or less depends upon the better utilization of resources and to manpower. It is worthwhile to increase production capacity and use advance technology to cut down cost of production and wage cost in order to increase profitability, not only against the investment, but also for investor's return points of view.

Kumar and Kulkarni (2019) in their research paper study states that the panel of the firms in Nigeria analyses the determinants of non-financial firms and by performing statistical tests over a period of year revealed that the term profitability is having a positive relation with total debt and the long term debt

Channar and Ram (2020) concludes that overall performance of the Textile sector was adversely affected by crisis due to various factors like obsolete technology, unavailability of high quality raw material, unskilled labor etc. Financial analysis of income statement was done to know the current position of debt payment ability, management and inventory sales, receivables, productivity, fixed assets, etc.

Charumathi (2020) has made an attempt to examine various factors that determine the profitability of life insurers operating in India. The study was based on data of 3 years of 1 public company and private companies working in this industry. Regression analysis reveals that there was direct relationship of profitability with size and liquidity whereas negative relationship of profitability with the leverage, premium and equity capital.

Venkataramana (2021) measured the profitability and financial position of selected Textile companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of these ratios on profitability. Further financial performance was checked by regression analysis of selected Textile companies.

Wippern Ronald (2021), in his research paper on “Financial structure and the value of the firm”, concentrated on the cost of equity function instead of the overall cost of capital function. By doing this, he could show that the cost of equity function was significantly linear and increased at an appropriate rate to exactly off-set the injection of debt into the capital structure and keep the overall cost of capital constant.

Arnaud Reynaud (2022) The profitability of a firm is a highly complex concept, as it results from firms' decisions on investment and production plans, but also from constraints beyond their control (economic regulation, level of competition, economic growth). We analyses the profitability of firms in the water industry by focusing on the impact of economic regulation and the economic environment. The objective is to determine empirical regularities which could explain profitability. Using a panel of firms from developed and transition countries, we show that the profitability of firms in the water sector is in line with that in other industries.

Eljelly (2022) elucidate found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. The variable was found to have significant effect on profitability at the industry level. On the whole, Review of Literature reveals that though studies are made on profitability and operational efficiency, influencing factors of profitability and operating efficiency, there are very few studies made on analysis of profitability and operational efficiency of financial services sector focusing credit services, insurance services providing companies in this unpredicted economic condition namely financial recession, demonetization

Ramakrishnan (2023) Profitability is the essence of every kind of investment and every kind of fund employment into the right order or on the right direction to earn profit for the shareholders and for its survival too. Profitability is the reason which makes every possible effort to fulfill the requirement of the company and is one of four building blocks which helps to analyses the whole overall performance of company after accounting year rest are efficiency, solvency, and market prospects. Investors, creditors, and managers use these key concepts to analyses how well a company is doing and the future potential it could have if operations were handled properly

3. OBJECTIVES OF THE STUDY

Primary objective:
A study on Profitability analysis of Ab clothing company at Bangalore
Secondary objectives:
To analyses the income & expenditure pattern and its impact on the total profits of the company
To analyses the financial position of the company through ratio analysis.
To give suggestions for further improvement and development of the company.
To study the financial strength and weakness about the products
To study the trend values and comparative for balance sheet.
To study the future enhancement for forecasting financial position.
To compare the past performance of the company with the present performance.
To study the trend position of textile firms by using the trend analysis.

3. SCOPE OF THE STUDY

The present study attempts to obtain a general view of the analysis practice in Ab clothing company. This study will help the in making some financial decision for further years. The study tells the detailed operations related to the firm's operations and its efficiency to be improved. Then the study clearly explains about at what areas they have to improvetheir performance. It helps in making some reference for its past performance.

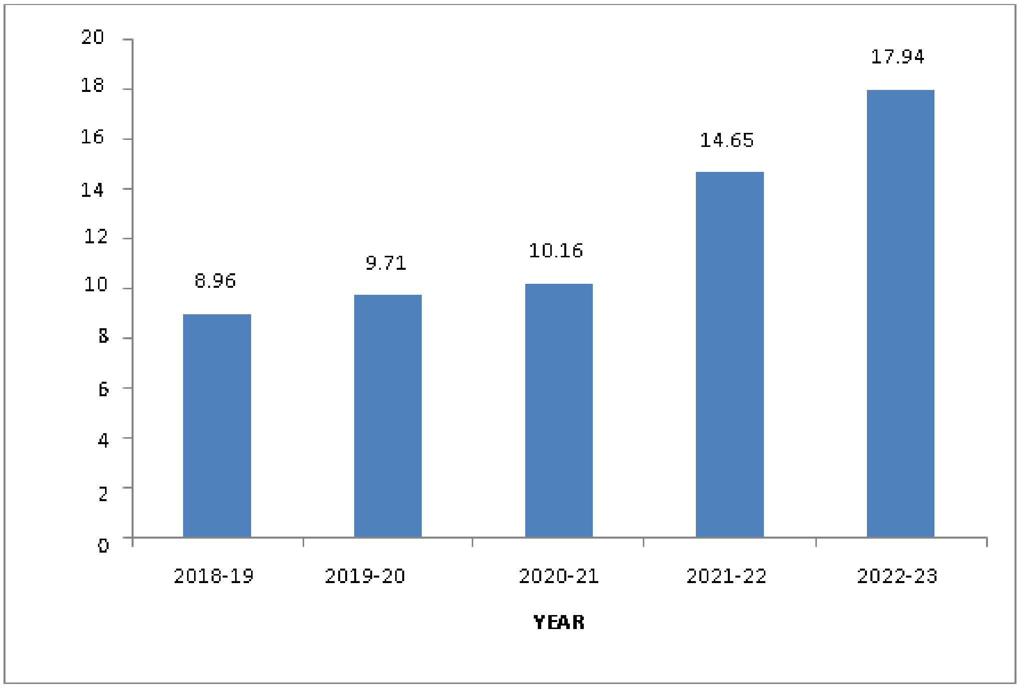
4. RESEARCH METHODOLOGY

Research Methodology is a systematic way to solve a research problem; it includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them. The present study was conducted at Textile industries. The study depends mainly on the secondary data namely the annual reports of the company. Five years' annual reports had been collected from the company. Data had also been collected from text books, journals, newspapers, magazines and internet.

5. ATA ANALYSIS

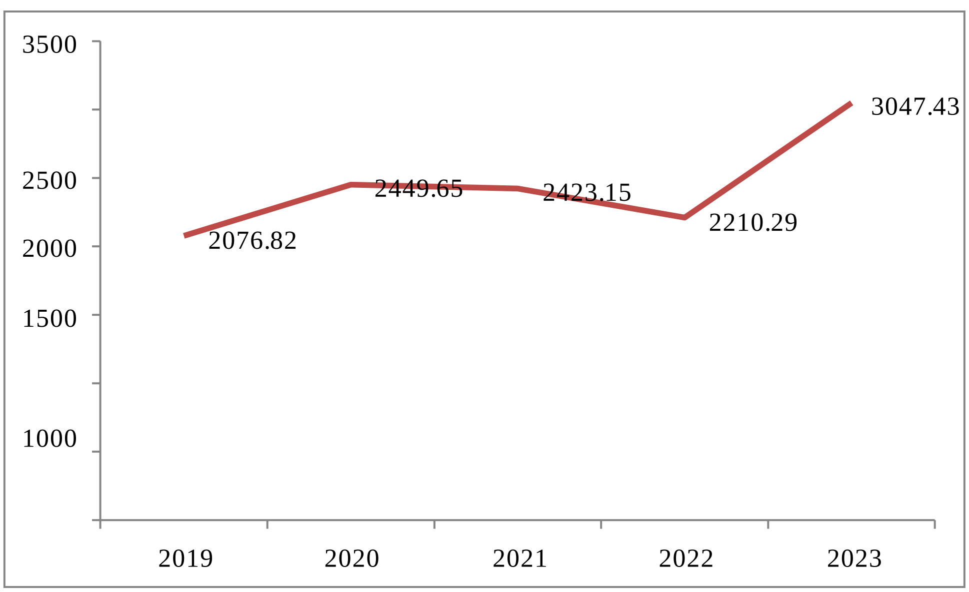
Net profit ratio

Year	Net profit	Sales	Percent
2018-19	224.97	2,511.52	8.96
2019-20	289.11	2,978.53	9.71
2020-21	294.61	2,898.07	10.16
2021-22	432.62	2953.64	14.65
2022-23	730.80	4073.67	17.94



Break even sales

Year	Fixed cost	Total contribution	Total sales	Break even Sales
2019	2127.61	2572.93	2,511.52	2076.82
2020	2521.74	3066.18	2,978.53	2449.65
2021	2607.24	3118.23	2,898.07	2423.15
2022	2088.38	2790.73	2953.64	2210.29
2023	3173.00	4241.53	4073.67	3047.43



6. FINDINGS

1. The high net profit margin in 2022-23. It is because of high profit in the year of 2021- 22, from 2018-19 it shows the increasing trend. From 2019 to 2023 it shows the high not profit margin.
2. From 2019-23 the current ratio of the firm got declined because of the increase in current liability. The high current ratio shows the favorable condition of the firm. So in 2019-20, the firm got high current ratio at 6.03
3. The reserve and surplus to equity capital ratio. From the year 2018-19 the ratio is

   35.18. Later it had increased at next following four years. Higher the ratio better will be the position. So there is better position during the period of 2018-19 to 2022-23.
4. The sales percentage was increasing for year by year. The Profit before tax percentage was increased year by year. It's does good performance to the company. The profit after tax percentage was increasing performance in year by year

7. SUGGESTIONS

Company should undergo in efforts to increase their production, and then only they can achieve more profit. Company should be able to maintain a safe position of current ratio as 2:1. But by reducing the current liabilities it is possible for the company to maintain a better liquidity position and this in turn helps the company for its efficient performance. Company should introduce a better policy for the Reserves maintained by the company. If the company is able to maintain an improved level of reserve, it helps the company to phase the future contingencies of losses modernization expansion of the business. Here the company maintained a less level of Reserves to compare with previous years. Company should introduce measures to cut down the administrative expenses of the company. But at the same time it should be possible for the company to withhold the experienced and skilled employees by providing them attractive remuneration. The joining of qualified professionals with the company will improve the productivity of the business. The company should improve their total income to meet their expenses.

8. CONCLUSION

By considering the industry performance this year was a difficult year for the spinning mill industry. Profitability analysis is the vital part of financial management of any business like. However, the profitability of this company was adversely affected by the various factors. This study helps the company to control over the financial areas and the smooth functioning of the business. This study and analysis of profitability and financial statement gives a thorough insight to the research and how the financial statements should be analyzed which will help in the improvement of profitability and liquidity of the business. The study will enable the company to plan for future financial analysis and Helps to analyze the firm's profitability over time, its ability to generate more profit. It's of responsibilities financial Manager to see that the sources of the funds are used effectively and efficiently. By considering the above suggestions that the Company will be improve and for the better management of finance in near future

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