



Profitability Analysis: An Empirical Study on Selected Coir Companies in India

¹Mrs.G.Sri Sakthi Nayaki, ²Dr.P.Saminathan,

¹Ph.D Research Scholar, ²Research Guide and Associate Professor,

¹PG and Research Department of Commerce,

¹Gobi Arts and Science College, Gobichettipalayam, Erode, India.

Abstract : Coir is a gift to us from the nature. Indian coir industry also important among other cottage industry which significantly contributing to the economy. The Indian coir Industry is one of the best example sustainable development efforts. India is considered to be a land of villages with more than half of the population living in rural areas. Therefore Rural Industrialization plays a key role in the country which is based on local raw materials, manpower, skills and technology have been identified as the key sectors of the country. Financial performance of selected coir companies can be analysed using many forms. But here Ratio analysis is used because it is a very powerful tool to financially analyse the better performance of the Companies.

IndexTerms – Growth, Profitability, Ratios.

INTRODUCTION

The Coir Industry has been considerably export oriented and a valuable foreign exchange earner. India is one among the foremost exports of coir in the world. It has been estimated that more than 90 per cent of Indian Coir export revenue comes from value added product. The export of coir and coir products during the financial year 2020-2021 11,63,213 MT of coir valued of Rs.3778.98 crores were exported from the country, which resulted increase of quality and value to 17.6% and 37% respectively in comparison with 2019-2020.

The Global Industry Analyst and forecast for Global Coir Market size is projected to grow at a CAGR of 10.4% during the forecast period (2018–2028).

The following are some of the growth factors of global coir market:

1. Increase in demand for coir in various applications like flooring, bedding and packaging, as it appeared as an environmentally friendly considering its bio degradability and anti-static properties.
2. Coir Growth in construction activities resulting from increased urbanization and industrialization due to its thermal Insulation properties.
3. Surge in demand for bio-fertilizers is motivating the growth of the agricultural industry because coir is used to make compost from these fertilizers owing to its porosity and water holding capacity.
4. Growing demand for coir from developing countries due to the increasing population and rapid industrialization.

Since the Growth of Coir Industry is moving as expected to achieve its better target, we are here to analyse the selected company's contribution towards it by analyzing its financial performance for the financial years from 2016-2017 to 2020-2021.

SIGNIFICANCE OF THE STUDY

The present study is confined to and highlights the financial performance of the selected Coir Companies in India through facts and figures of published financial statements. In this study we here only analyze the financial performance of the selected coir companies using available financial variables.

STATEMENT OF THE PROBLEM

The success of any business undertaking depends upon its efficient performance. Finance, the blood of any business institution is the root cause for the development of the Coir industry sector as finance plays a vital role in the performance, functions and progress of the coir industry. The Coir industry contributes a lion's share to the growth of the corporate sector in terms of employment generation, revenue and entrepreneurial skills. Its amazing performance resulting in high rate of return to investors has attracted investors from within and abroad. Foreign Direct Investment and Foreign Institutional Investments have increased considerably in Coir industry. Indian Coir Companies cater to the Coir requirements directly and through Business Process

Outsourcing. As a result the country has become a knowledge center of the world. With that in mind we can analyse here the financial performance of selected coir companies to find the answers for the following questions:

1. Does the profitability positions of the selected coir companies satisfy the growth of the Industry?

OBJECTIVES OF THE STUDY

The main objective of this study is to analyze the financial position through profitability with the help of financial variables of selected Coir Companies in India.

RESEARCH METHODOLOGY

The Study is made mainly based on the secondary financial data available through CMIE database source. In order to select the companies to fulfill the purpose of the study only 5 Coir Companies on basis of profitability are being selected with an average paid up capital for five years, which includes:

1. Kerala Balers Private Limited
2. Palm Fibre India Private Limited
3. Harish Coconut Products Private Limited
4. Travancore Cocotuft Private Limited
5. Duinkop Enterprises Private Limited

LIMITATIONS OF THE STUDY

The study has some limitations. The present study has been limited to private sector Coir Industry business and is also confined to only five-year period. The study is subject to limitation of invest to statistical data and financial accounting as reliability and correctness mainly depends upon annual reports provided by the Financial assistant of the company.

REVIEW OF LITERATURE

- **Vanitha S Subramanian (2019)¹** undertook a study to analyse the major five selected coir industries through fundamental analysis for the right investment for a study period of one year 2018 - 2019. The researchers used a) Ratio analysis b) Valuation ratios c) Five year balance sheet d) Profit and Loss A/C. The research found that, as per the analysis, the figure says to investors that Tamilnadu coir industries and Kerala coir industries were the stocks in which the money should be invested in. They could buy the share of the above mentioned Tamilnadu and Kerala coir industries. Because these were fundamentally strong companies compared to the rest of other states coir industries under the study. But Kerala coir industries was stronger than Tamilnadu coir industries.
- **Gowrishankar (2020)²** undertook a study to analyse the relationship between management of working capital and profits of the firm for a study period of five years from 2015 to 2020 on the financial data of Duinkop enterprises private limited. The researchers used various liquidity and solvency ratios like inventory turnover ratio, quick ratio, current ratio, cash conversion cycle, receivable days, payable days, fixed assets on total assets and debt ratio. The study evidence was that, the overall position of the working capital of Duinkop enterprises private limited was satisfactory but there is need for improvement in Inventory.
- **Rajarathinam K.R (2020)³** undertook a study to analyse Working Capital, Liquidity, Solvency and Profitability trend of Dutch plantin coir India private limited for the study period of ten years from 2010-11 to 2019-20. The researchers used accounting and statistical tools and techniques such as 1. Ratio Analysis 2. Trend Analysis 3. Linear Regression 4. Mean 5. Standard Deviation and 6. Co. Efficient of Variation. The research evidenced that Short term and Long term Solvency position were maintained properly which ultimately enhanced the Liquidity and Profitability trend of the Dutch plantin coir India private limited.

ANALYSIS AND INTERPRETATION

Profitability proportion are subsequently useful to the administration in knowing the working effectiveness and to the leasers and proprietors in knowing the benefit acquiring capacity of a firm. These proportions measure administrations general adequacy as appeared by the profits produced on deals and venture. Normally 3 sorts of profitability proportions are computed in particular Profitability proportions in view of offers of the firm, Profitability proportions Based on speculations and Profitability proportions from perspective of proprietor.

A) Profitability Ratios Based on Sales of the Firm consists of:

1. Gross Profit Ratio
2. Net Profit Ratio

B) Profitability Ratios Based on Investments consists of:

1. RoA – Return on Assets
2. ROI – Return on Investments

C) Profitability Ratios Based on Shareholders or Owner consists of:

1. EPS – Earning Per Share
2. DPS – Dividends Per Share

GROSS PROFIT RATIO**TABLE No. 1**

Year	KBPL	PFIPL	TCPL	DEPL	HCPPL
2016-17	64.51	37.41	45.2	51.23	26.31
2017-18	62.71	39.45	26.56	42.3	25.63
2018-19	60.87	42.51	29.54	29.52	24.68
2019-20	58.56	23.47	29.6	27.5	26.45
2020-21	61.58	41.02	31.25	41	26.31
Mean	61.65	36.77	32.43	38.31	25.88
S.D	2.21	7.67	7.34	9.80	0.74
Variance	4.87	58.87	53.82	96.05	0.55

Table no. 1 shows that there are variance in the gross profit ratio of selected Coir Companies. It is observed that there is fall in profit in the year 2019-2020 compared to the other financial years. The above table reveals that the higher mean value of gross profit ratio is obtained by KBPL which is 61.65% and the lower value of gross profit ratio is 25.88 % by HCPP. Other coir companies which are selected are at moderate gross profit ratio during the study period.

NET PROFIT RATIO**TABLE No. 2**

Year	KBPL	PFIPL	TCPL	DEPL	HCPPL
2016-17	27.7	10.91	41.71	48.39	2.62
2017-18	30.09	9.04	48.39	46.72	1.23
2018-19	25.26	8.48	46.72	45.87	0.94
2019-20	26.13	7.2	45.87	39.9	2.98
2020-21	21.4	5.29	39.9	39.29	5.19
Mean	26.12	8.18	44.52	44.03	2.59
S.D	3.21	2.10	3.57	4.16	1.69
Variance	10.32	4.40	12.72	17.29	2.87

Table no. 2 shows that there are variance in the Net profit ratio of selected Coir Companies. The above table reveals that the higher mean value of Net profit ratio is obtained by TCPL which is 44.52% and the lower value of net profit ratio is 2.59 % by HCPPL. Other coir companies which are selected are at moderate net profit ratio during the study period.

RETURN ON ASSETS RATIO**TABLE No.3**

Year	KBPL	PFIPL	TCPL	DEPL	HCPPL
2016-17	1.9	4.25	5.24	3.69	3.59
2017-18	1.64	4.25	1.56	1.56	2.58
2018-19	2.34	4.12	5.89	2	4.35
2019-20	2.74	3.48	4.1	3.58	1.58
2020-21	1.6	5.13	3.87	4.21	2.56
Mean	2.04	4.25	4.13	3.01	2.93
S.D	0.49	0.59	1.66	1.16	1.06
Variance	0.24	0.35	2.75	1.34	1.13

Table no. 3 shows that there are variance in the return on assets ratio of selected Coir Companies. The above table reveals that the higher mean value of ROA ratio is obtained by PFIPL which is 4.25% and the lower value of ROA ratio is 2.04 % by KBPL. Other coir companies which are selected are at moderate ROA ratio during the study period.

RETURN ON INVESTMENTS RATIO**TABLE NO. 4**

Year	KBPL	PFIPL	TCPL	DEPL	HCPPL
2016-17	5.65	43.2	36.24	35.24	35.24
2017-18	6.35	28.56	37.56	31.2	25.56

2018-19	4.85	29.53	35.24	39.52	29.32
2019-20	6.58	41.29	28.56	34.25	30.28
2020-21	6.71	32.85	24.25	30.1	36.25
Mean	6.03	35.09	32.37	34.06	31.33
S.D	0.78	6.76	5.71	3.71	4.41
Variance	0.60	45.70	32.65	13.78	19.48

Table no. 4 shows that there are variance in the return on investment ratio of selected Coir Companies. The above table reveals that the higher mean value of ROI ratio is obtained by PFIPL which is 35.09% and the lower value of ROI ratio is 6.03% by KBPL. Other coir companies which are selected are at moderate ROI ratio during the study period.

EARNINGS PER SHARE RATIO

TABLE No. 5

Year	KBPL	PFIPL	TCPL	DEPL	HCPPL
2016-17	28.25	30.32	41.25	31.2	34.52
2017-18	9.63	56.24	43.25	41.5	41.56
2018-19	15.24	34.58	39.2	48.33	48.52
2019-20	25.56	41.2	39.9	36.69	41.26
2020-21	39.45	28.69	41.25	51.24	51.26
Mean	23.63	38.21	40.97	41.79	43.42
S.D	11.64	11.18	1.55	8.22	6.61
Variance	135.43	125.02	2.41	67.58	43.70

Table no. 5 shows that there are variance in the earnings per share ratio of selected Coir Companies. The above table reveals that the higher mean value of EPS ratio is obtained by HCPPL which is 43.42% and the lower value of ROI ratio is 23.63% by KBPL. Other coir companies which are selected are at moderate EPS ratio during the study period.

DIVIDENDS PER SHARE RATIO

TABLE No. 6

Year	KBPL	PFIPL	TCPL	DEPL	HCPPL
2016-17	45.58	51.26	48.5	58.54	42.25
2017-18	56.62	49.56	58.9	51.29	26.35
2018-19	45.65	47.58	45.1	48.5	29.56
2019-20	36.35	38.56	15.26	46.26	36.54
2020-21	38.59	25.59	53.21	53.27	26.58
Mean	44.56	42.51	44.19	51.57	32.26
S.D	7.92	10.65	16.99	4.72	6.94
Variance	62.68	113.46	288.52	22.29	48.15

Table no. 6 shows that there are variance in the dividends per share ratio of selected Coir Companies. The above table reveals that the higher mean value of DPS ratio is obtained by DEPL which is 51.57% and the lower value of DPS ratio is 32.26% by HCPPL. Other coir companies which are selected are at moderate DPS ratio during the study period.

9. FINDINGS

- The gross profit ratio of KBPL is high when compared to the other selected companies, and also it has minimum value in other ratios used to compare the profitability positions.
- The Net profit ratio is high in TCPL while it is observed that HCPPL has lowest mean value. Other coir companies has moderate level of value, which also implies there is no continues increasing trend on the profit on coir companies.
- In Return on Assets ratio and Return on Investment ratios PFIPL has the highest mean value and KBPL has the lowest mean value with other selected coir companies in moderate term. These proves that as coir industry is still a developing industry investments should be made in order to gain more profits.
- HCPPL and DEPL has the highest mean value of Earnings per share ratio and Dividends per share ratio respectively. And other coir companies lack in it. It is better for these companies to release new shares to gain profit rather than borrowing

short term fund and long term fund.

10. CONCLUSION

Profitability analysis is considered as a measure to the companies credit worthiness, operational efficiency, return on invests and proper utilization of resources. The objective of the study is to analyse the profitability position of the selected coir industries in India from 2016-2017 to 2020-2021. The profitability position of selected companies is measured through Gross profit ratio, Net profit ratio, Return on Assets, Return on Investments, Earnings per Share and Dividends per share. The profitability of any business depends mainly on efficient utilization of resources, efficient management, utilization of proper skilled manpower, Good will and market share. It is found that all the selected companies has their own increasing and decreasing value measures. The overall performance of coir industry is very good compared to the other developing cottage industries. But these coir companies still have much more way to go, so it is best to reduce the operating cost and increase the utilization of assets in future.

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