

Profitability Ratios Analysis Between MRPL and Tide Water Oil Company India Ltd.

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Abstract

Today's is the world of competition. Competition prevails in each & every sector. Globalization & liberalization have opened the door to any company's business in India. Profit is the legitimate object of any enterprise and prime object of every business. Profitability is taken into consideration in judging the degree of operational efficiency of a management and its controlling operations and performance. In this paper, author try to find out profitability ratios analysis between MRPL and Tide Water Oil Company India Ltd.

Keywords: MRPL, TWCCL, Profitability Ratios

Introduction

Today's is the world of competition. Competition prevails in each & every sector. Globalization & liberalization have opened the door to any company's business in India. Any analysis of profitability would have to begin with a discussion of what profit is, where one can find it reported, and how one can measure it. Without profit a business venture cannot exist. Profit is viewed as the same thing as net income, which is the bottom line result on the income statement. Net income is calculated as revenues and gains less expenses and losses. Profit is the legitimate object of any enterprise and prime object of every business. Lord Kegnes remarked, "Profit is the engine that drives the business enterprise." Duck and Jervis observed, "Perhaps the most important reason for keeping accounts, as far as the management of the business is concerned, is that the information contained in them provided the means of measuring the progress of a business, of testing its pulse and of indicating when and where remedial action, if necessary, shall be taken." Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important.

Literature Review

Nitin K. Patel (2001) has studied on comparative study of Kharel Region multipurpose cooperative Society and Gandevi Region Multipurpose Cooperative Society of Gandevi Taluka in Navsari district. The period of the study was from 1994-95 to 1999- 2000. In this study was divided into eight chapters. He used several types of ratios to analysis the position of working capital of Kharel Region Multipurpose

Cooperative Society and Gandevi Region Multipurpose Cooperative society. The researcher had indicated numerical relationship between two or more variables and measures the liquidity position, long term financial position, Operating efficiency and effectiveness of assets utilization of the society.

Reddy R.V.S. (1998) has revealed that decline in profitability alone need not be considered as a factor that resulted in the inefficiency of the organization. It was also due to proportionate rise in the cost of operation coupled with the usually delayed and inadequate increase in fares.

Jain & Mehta (2013) have studied about profitability analysis using profitability ratios such as gross profit ratio, net profit ratio, operating profit ratio, return on capital employed ratio, and return on net worth ratio of selected five automobile companies viz., Tata Motors, Maruti Suzuki, Ashok Leyland, Hero MotoCorp, Mahindra and Mahindra for the period 2009 to 2013. Using mean, standard deviation and coefficient of variation, they have revealed about 63 average position of companies. They have also concluded that the Indian automobile industry's performance has significant difference in terms of their profit levels using ANOVA. It has also been depicted from the analysis about existence of some relationship between Maruti Suzuki & Tata Motors in terms of profitability. Hero MotoCorp has performed very well with the use of new technology and skilled manpower. Tata Motors has been poor performer due to increased manufacturing overheads and cut throat competition.

Methodology

Quantitative data have been used. Secondary data have been used for study purpose. Time duration from 2015-16 to 2019-20 have been taken for study purpose for MRPL and TWOCL. Profitability ratios analysis tools used to measure efficiency and profitability of MRPL and TWOCL.

Data Analysis and Interpretation

1) MRPL

Profitability Ratios	MAR 20	MAR 19	MAR 18	MAR 17	MAR 16	AVG.
Operating Profit Margin(%)	-6.28	3.81	30.04	35.34	4.29	13.44
Profit Before Interest And Tax Margin(%)	-8.42	2.14	28.40	33.47	1.70	11.458
Gross Profit Margin(%)	-8.44	2.15	28.52	33.70	1.74	11.534
Cash Profit Margin(%)	-5.87	2.22	27.20	31.28	4.18	11.802
Net Profit Margin(%)	-6.67	0.53	3.12	5.78	2.07	0.966

Return On Capital Employed(%)	-18.23	7.77	87.93	90.68	8.23	35.276
Return On Net Worth(%)	-49.05	3.41	19.47	36.54	13.65	4.804
Return on Long Term Funds(%)	-21.64	12.42	125.35	114.07	10.32	48.104

The operating profit margin ratio maintained an average of 13.44% for the study period. It remained high for the year 2016-17 (35.34%) followed by year 2017-18 (30.04%), year 2015-16 (4.29%), year 2018-19 (3.81%). In addition, it remained negative in the year 2019-20 (-6.28%).

The Profit before interest and tax margin ratio maintained an average of 11.458% for the study period. It remained high for the year 2016-17 (33.47%) followed by year 2017-18 (28.40%), year 2018-19 (2.14%) and year 2015-16 (1.70%). In addition, it remained negative in the year 2019-20 (-8.42%).

The gross profit margin ratio maintained an average of 11.534% for the study period. It remained high for the year 2016-17 (33.70%) followed by year 2017-18 (28.52%), year 2018-19 (2.15%), year 2015-16 (1.74%). In addition, it remained negative in the year 2019-20 (-8.44%).

The cash profit margin ratio maintained an average of 11.802% for the study period. It remained high for the year 2016-17 (31.28%) followed by year 2017-18 (27.20%), year 2015-16 (4.18%), year 2018-19 (2.22%). In addition, it remained negative in the year 2019-20 (-5.87%).

The net profit margin ratio maintained an average of 0.966% for the study period. It remained high for the year 2016-17 (5.78%) followed by year 2017-18 (3.12%), year 2015-16 (2.07%), year 2018-19 (0.53%). In addition, it remained negative in the year 2019-20 (-6.67%).

The return on capital employed ratio maintained an average of 35.276% for the study period. It remained high for the year 2016-17 (90.68%) followed by year 2017-18 (87.93%), year 2015-16 (8.23%), year 2018-19 (7.77%). In addition, it remained negative in the year 2019-20 (-18.23%).

The return on net worth ratio maintained an average of 4.804% for the study period. It remained high for the year 2016-17 (36.54%) followed by year 2017-18 (19.47%), year 2015-16 (13.65%), year 2018-19 (3.41%). In addition, it remained negative in the year 2019-20 (-49.05%).

The return on long term funds ratio maintained an average of 48.104% for the study period. It remained high for the year 2017-18 (125.35%) followed by year 2016-17 (114.07%), year 2018-19 (12.42%), year 2015-16 (10.32%). In addition, it remained negative in the year 2019-20 (-21.64%).

2) Tide water Oil Company India Ltd. (TWOCL)

Profitability Ratios	MAR 20	MAR 19	MAR 18	MAR 17	MAR 16	Avg.
Operating Profit Margin(%)	10.69	10.15	11.65	13.64	14.11	12.048
Profit Before Interest And Tax Margin(%)	9.58	9.18	10.64	12.50	13.06	10.992
Gross Profit Margin(%)	9.86	9.45	10.94	12.88	13.37	11.3
Cash Profit Margin(%)	9.92	8.54	9.46	11.13	10.83	9.976
Net Profit Margin(%)	9.37	8.10	9.02	10.70	7.87	9.012
Return On Capital Employed(%)	21.41	22.92	22.54	24.26	28.56	23.938
Return On Net Worth(%)	15.71	14.95	14.77	16.37	14.28	15.216
Return on Long Term Funds(%)	21.41	22.92	22.54	24.26	28.56	23.938

The operating profit margin ratio maintained an average of 12.048% for the study period. It remained high for the year 2015-16 (14.11%) followed by year 2016-17 (13.64%), year 2017-18 (11.65%), year 2019-20 (10.69%), in the year 2018-19 it is 10.15%.

The Profit before interest and tax margin ratio maintained an average of 10.992% for the study period. It remained high for the year 2015-16 (13.06%) followed by year 2016-17 (12.50%), year 2017-18 (10.64%), year 2019-20 (9.58%), in the year 2018-19 it is 9.18%.

The gross profit margin ratio maintained an average of 11.3% for the study period. It remained high for the year 2015-16 (13.37%) followed by year 2016-17 (12.88%), year 2017-18 (10.94%), year 2019-20 (9.86%), in the year 2018-19 it is 9.45%.

The cash profit margin ratio maintained an average of 9.976% for the study period. It remained high for the year 2016-17 (11.13%) followed by year 2015-16 (10.83%), year 2019-20 (9.92%), year 2017-18 (9.46%), in the year 2018-19 it is 8.54%.

The net profit margin ratio maintained an average of 9.012% for the study period. It remained high for the year 2016-17 (10.70%) followed by year 2019-20 (9.37%), year 2017-18 (9.02%), year 2018-19 (8.10%), in the year 2015-16 it is 7.87%.

The return on capital employed ratio maintained an average of 23.938% for the study period. It remained high for the year 2015-16 (28.56%) followed by year 2016-17 (24.26%), year 2017-18 (22.54%), year 2018-19 (22.92%), in the year 2019-20 it is 21.41%.

The return on net worth ratio maintained an average of 15.216% for the study period. It remained high for the year 2016-17 (16.37%) followed by year 2019-20 (15.71%), year 2018-19 (14.95%), year 2017-18 (14.77%), in the year 2015-16 it is 14.28%.

The return on long term funds ratio maintained an average of 23.938% for the study period. It remained high for the year 2015-16 (28.56%) followed by year 2016-17 (24.26%), year 2018-19 (22.92%), year 2017-18 (22.54%), in the year 2019-20 it is 21.41%.

Conclusion and Managerial Implication

Operating profit margin ratio indicates that operating profit margin position in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-6.28% in the year 2019-20). Profit before interest and tax margin ratio indicates that measures the profitability of a company calculated without taking into account the effect of interest and taxes. The PBIT position in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-8.42% in the year 2019-20). Gross profit margin ratio indicates how much profit a company makes after paying off its cost of goods sold, in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-8.44% in the year 2019-20). Net profit margin ratio indicates the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of profit that a business can extract from its total sales. The Net Profit Margin ratio position in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-6.67% in the year 2019-20). Return on capital employed ratio is computed by dividing the net income before interest and tax by capital employed. It measures the success of a business in generating satisfactory profit on capital invested. The ratio is expressed in percentage. It further indicates the earning power of the organization on each rupee invested. The Return on Capital Employed ratio position in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-18.23% in the year 2019-20). Return on Net Worth (RONW) is a calculation of the profitability of a company expressed in percentage. The Return on Net Worth is calculated by dividing the net income of the firm in question by shareholders' equity. So, the ratio is developed from the perspective of the investor and not the company. The Return on Net Worth position in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-49.05% in the year 2019-20). It is calculated by dividing Earnings Before Interest & Tax (EBIT) by the net capital employed. It

represents the long-term funds supplied by creditors and owners of the firm. The Return on Long Term Funds position in the small cap companies selected in Oil and Gas industry was not satisfactory for MRPL (-21.64% in the year 2019-20),

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