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A study on profitability and trend analysis of TNPL with special reference to Kagithapuram, Karur district

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Abstract

The primary goal of business is earning profit and stabilizing the profit for long term. Measuring current profit and past profit will help to predict and project the future profit of business. The profitability of TNPL is measured by using some profit analysis they are Gross profit, net profit and operating profit. The data used for study is secondary data. The data were collected from the annual report of TNPL from the period of 2014-15 and 2015-16. The present study deals with the profitability and trend analysis of TNPL.

Keywords: gross profit, net profit, profitability and trend analysis

Introduction

Profitability is the ability of a business to earn 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. There are many different ways for you to analyze profitability. The present study focus on profitability ratios of TNPL, which is a measure of the business' ability to generate revenue compared to the amount of expenses it incurs.

The location of TNPL mill has the advantage in terms in business to the sugar mills supplying bagasse, proximity to river Cauvery for souring water access to abroad gauge railway track for transportation of coal and a well-developed road infrastructure.

Profile of TNPL

Tamil Nadu Newsprint and Papers Ltd is the largest bagasse, an agricultural residue, based paper unit in India. The company is in the business of manufacturing and marketing of newsprint and printing & writing papers. The products are being marketed throughout the country and also being exported to 30 countries around the world. Their manufacturing facility is located at Kagithapuram in Karur District of Tamil Nadu. Tamil Nadu Newsprint and Papers Ltd was established by the Government of Tamil Nadu in April 1979 as a public limited company. The primary objective of the company is to produce newsprint and printing & writing paper using bagasse, a sugarcane residue, as the primary raw material. The company started their commercial production in the year 1985.

The company commenced production in the year 1984 with a initial capacity of 90,000 tonnes per annum (TPA). Over the years, the production capacity has been increased to 2,45,000 tpa and the company has emerged as the largest bagasse based paper mill in the World consuming about one million tonnes of bagasse every year. The company completed a Mill expansion plan during December 2010 to increase the mill capacity to 4,00,000 tpa.

TNPL exports about 1/5 th of its production to more than 50 countries. Manufacturing of quality paper for the past two and half decades from bagasse is an index of the company's technological competence. A strong record in adopting minimum impact best process technology, responsible waste management, reduced pollution load and commitment to the corporate social responsibility make the company one of the most environmentally compliant paper mills in the world.

Review of Literature

A review of literature is a body of text that aims to review the critical point of current

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knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. A literature review is more than a list of bibliographic references.

Dr. M Prakash and G Nandhini (2015)¹ The study aims at assessing the liquidity, profitability position of the company. It is analyzed by using the ratios trend analysis, cash flow and comparative balance sheet. The analysis reveals that the company’s short term solvency position is not up to the optimal level but the long term solvency position is satisfactory so the company has wealthy condition in long term and increase their current assets like cash and bank balance.”

Dr. N Velmathi (2016)². 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. A variety of profits- gross profit, operating profit, pretax profit and net profit can be used to assess the efficiency and effectiveness of TNPL. The research is analytical in nature. The data used for the study is secondary data. The data required for the research were collected from the annual reports of the company from the period 2005-06 to 2014-15. In this researcher has done profitability trend analysis, which indicates direction of change-positive/negative trends in a company’s earnings.”

Objectives of the study

- To identify the profitability position of the TNPL.
- To compare and analyze the balance sheet of TNPL.

Important of the study

The purpose of this study is to observe and analyze the profitability trend analysis of TNPL. Research has been conducted in order to critically evaluate and examine the profit trends of TNPL. This study highlights Profitability trend analysis of TNPL.

Research methodology

Research methodology is the used to solve the research problem systematically.

Area of Study

Tamil Nadu Newsprint and papers Limited (TNPL), Kagithapuram, is situated north-west of Karur, Tamil Nadu state, India- about 3 kms off national highway -7, connecting Salem and Karur.

Source of the data

The study is based on the secondary data collected from the annual reports of TNPL.

Period of the study

The period of the study selected only from the year 2014-15 and 2015-16.

Tools used

The objective of the study is achieved by using Ratio analysis.

Limitations of the study

The study report consists of few limitations.

- The research is completely based on secondary data.

- The profitability ratio is the only indicators.
- The future profit and loss cannot be determined exactly.

Profitability Ratio

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 related to earning the income.

Gross profit

Gross profit ratio is one of the major parameters to decide the performance of a firm. It is the ratio between gross profit and net sales made by the firm. The gross profit is the profit earned by the firm out of its manufacturing or trading activities. It is the result of the core operations of the firm. The data relating to the gross profit ratio of the TNPL.

Gross profit ratio

(Rs. in crores)

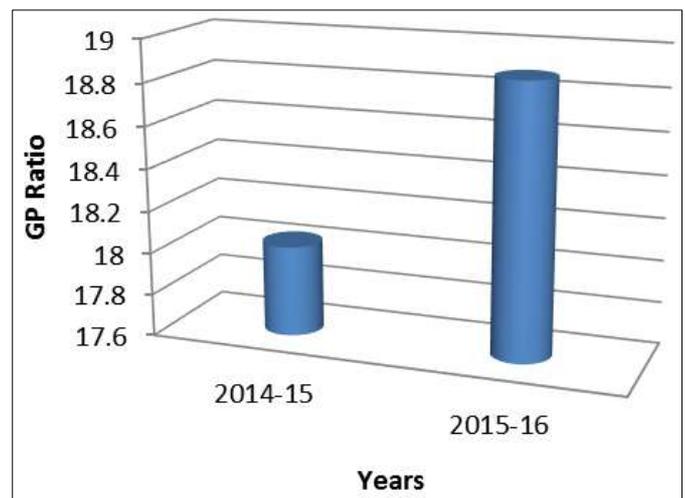
Years	Gross Profit	Sales	GP Ratio
2014-15	385.06	2135.73	18.03
2015-16	456.53	2417.54	18.88

Source: Secondary data

Interpretation

From the above table the Gross profit ratio is increased from the year 2014-15 to 2015-16 at 0.85%.

Gross Profit Ratio



Net profit ratio

The perfect ratio which reveals the overall results of the affairs of the firm is the net profit ratio. In arriving at the net profit ratio, all the activities of the firm have been considered. It is the ratio between net profit after tax and the net sales of the firm. The net profit ratio has been considered as an appropriate measure for various planning and decision making. The data relating to the net profit ratio of the TNPL.

Net Profit Ratio

(Rs. in crores)

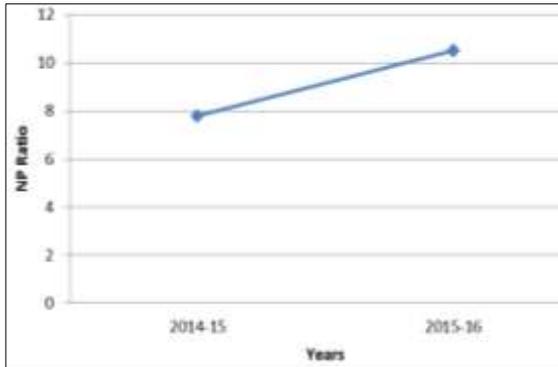
Years	Profit after tax	Sales	NP Ratio
2014-15	166.73	2135.73	7.81
2015-16	253.93	2417.54	10.50

Source: Secondary data

Interpretation

From the above table Net profit ratio is increased from the year 2014-15 to 2015-16 at 2.69%.

Net Profit Ratio



Working capital turnover ratio

The working capital turnover ratio is one of the determinants of efficiency of working capital management. Deficit working capital is considered to be risky while the surplus working capital is deemed to be riskier than the deficit working capital. Hence, the management of a firm has to manage the working capital in a balanced manner. The working capital management indicates the effective utilization of working capital towards turnover of the company. The working capital turnover is the ratio between sales and net working capital. The data relating to the working capital turnover ratio of the TNPL.

Working Capital Turnover Ratio

(Rs. in crores)

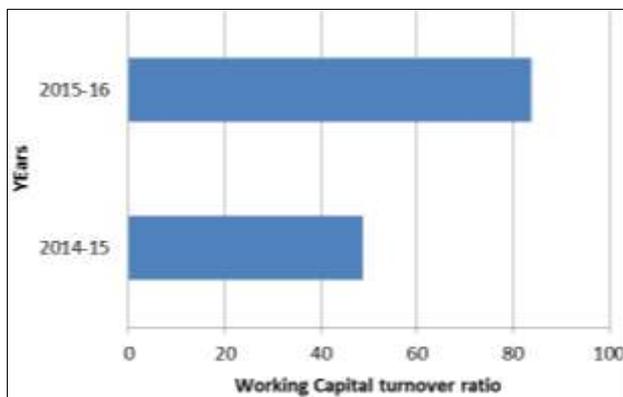
Years	Sales	Net working capital	Working Capital Turnover Ratio
2014-15	2135.73	43.84	48.72
2015-16	2417.54	28.84	83.83

Source: Secondary data

Interpretation

From the above table Working capital turnover ratio is increased from the year 2014-15 to 2015-16 at 35.11%.

Working capital turnover ratio



Return on shareholders' fund ratio

Analysis the performance of a TNPL requires the analysis of the return on shareholders' fund. It is the ratio between

profit after tax and shareholders fund. The data relating to the return on shareholders' fund ratio of the TNPL.

Return on shareholders' fund ratio

(Rs. in crores)

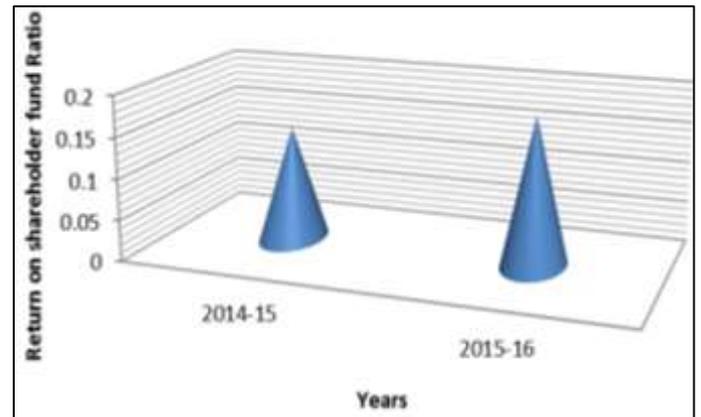
Year	Profit After Tax	Shareholders' Fund	Ratio
2014-15	166.73	1201.64	0.14
2015-16	253.93	1445.55	0.18

Source: Secondary data

Interpretation

From the above table Return on shareholders' fund ratio is increased from the year 2014-15 to 2015-16 at 0.4%.

Return on Shareholders' Fund Ratio



Findings

There is increase in gross profit ratio, net profit ratio, working capital turnover ratio and return on shareholders fund ratio. There is no negative or decrease value from the past year result.

Suggestions

The results shown in gross profit and return on shareholders fund is increased slowly and measure should be taken for this ratio to increase.

Conclusion

The study was under taken on the general profitability performance of TNPL. Tools used are gross profit ratio, net profit ratio, working capital turnover ratio and return on shareholders fund ratio have been used to find the profitability of TNPL. The result of the study shows positive in the past two years. So the TNPL is healthy in finance.

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