

“Liquidity & Profitability Analysis of the Selected Infrastructure Companies in India”

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Abstract:

The business corporation's are usually established with a read of earning profit kind the business operations. However beneath totally different state of affairs the article of the business corporations is also modified to survival, growth stability etc. it's tough for a business to breathe well while not profit. it should be thought to be a mirror of the operative performance of the business activities. But in the real business atmosphere of nowadays, profit it so, not the sole objective however one of the foremost necessary objectives, which commonly guide and direct business operations. Profit is Associate in tending absolute connotation, whereas gain may be a relative construct, despite being closely associated with a reciprocally interdependent, as they're, profit and gain are two different ideas. In alternative words, in spite of their generic nature, every one of them incorporates a distinct role in business issues. Gain is that the main indicator of the potency and effectiveness of a commerce in achieving its goal of earning profit. Analysis of the gain reveals on however the position of profits stands as a results of total transactions made throughout the year.

Key Words:

Profitability Ratios Operating Profit Margin Ratio Gross Profit Margin Ratio
Net Profit Ratio and Return on Capital Employed.

Literature Review:

Dr. Monica Tulsian (2014), Author Published Research on “Profitability Analysis (A comparative study of SAIL & TATA Steel)”. the main purpose of a business unit is to create profit. The profit analysis is finished to throw light-weight on the present in operation performance and potency of business

corporations. It ought to be punctually noted that profits figure alone isn't terribly useful in crucial the potency and performance of the business organisation unless it's related to another figures like sales, price of products sold, in operation expenses, capital invested with etc. Thus the profit ratios are calculated to enlighten the top result and comparison of business corporations which is that the sole criterion of overall potency of business.

Vipul C. Koradia (2013), Author describes Profitability Analysis – “A Study of Selected Oil Companies in India”. In this analysis paper, analysis of profit of hand-picked public sector oil firms is undertaken. For the purpose of study, 3 public sector oil firms are Hand-picked. Profit ratios thought of for the purpose of study are in operation gross margin quantitative relation, margin quantitative relation, profit quantitative relation and come back on Capital Employed.

Research Methodology:

The study is aimed toward learning profit state of affairs of sample Infrastructure companies in India. Period that the businesses are studied is of 4 years from 2015-16 to 2018-19.

Infrastructure Companies three major firms of the business were chosen.

1. Larsen & Toubro Ltd.
2. GMR Infrastructure Ltd.
3. Ircon International Ltd.

Statement of the Problem:

The primary objective of a business enterprise is to earn profits. Existence, however additionally for growth associate degree diversification the investors need an adequate come on obligation to numerous segments of the society solely through earning of profit.

Objectives of the Study:

1. To determine the general earnings performance of chosen Infrastructure corporations in India.
2. To measure the profitableness associated with sales of chosen Infrastructure corporations.
3. To investigate the profitableness associated with equity share of chosen Infrastructure corporations.

Accounting Tools and Techniques Used Ratio Analysis:

The general profitability ratios are as follows:

1. Gross Profit Ratio
2. Net Profit Ratio
3. Profit before Interest tax
4. Operating Profit Ratio
5. Cash Profit Ratio

Analysis of Profitability:

Profitability of the businesses below study has been analyzed by scheming the subsequent ratios:

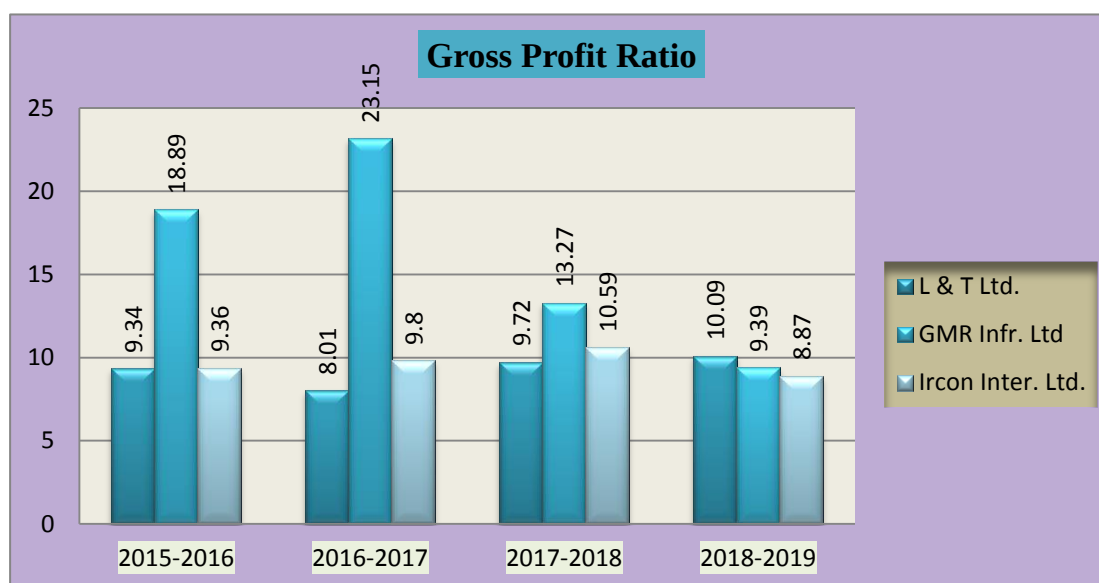
1. Gross Profit Ratio

Gross profit quantitative relation (GP quantitative relation) could be a gain ratio that shows the link between lucre and total income revenue. It's a well-liked tool to judge the operational performance of the business. The quantitative relation is computed by dividing the lucre figure by income.

$$\text{Gross Profit} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

Table no.1: Gross Profit of Selected Infrastructure Companies in India.

Particular/ Years	Larsen & Toubro Ltd.	GMR Infrastructure Ltd.	Ircon International Ltd.	Average
2015-2016	9.34	18.89	9.36	12.53
2016-2017	8.01	23.15	9.8	13.65
2017-2018	9.72	13.27	10.59	11.19
2018-2019	10.09	9.39	8.87	9.45
Total	37.16	64.7	38.62	



Graph no.1: Gross Profit of Selected Infrastructure Companies in India.

Interpretation:

Table No.1 reveals as fluctuating trend of selected Infrastructure companies. The highest Gross ratio of L & T was 10.09% in 2018-2019 and least Gross profit ratio was 8.01% in 2016-2017. In the case of GMR Infra as a whole, the table reveals as fluctuating trend. The highest cash profit margin of GMR Infra was 23.15% in 2016-2017 and the least of Gross Profit ratio 9.39% in 2018-2019. In the case of Ircon Inter as a whole, the table reveals as fluctuating trend. The highest Gross profit ratio of Ircon

Inter was 10.59% in 2017-2018 and the least of Gross profit margin ratio 8.87% in 2018-2019.

2. Net Profit Ratio

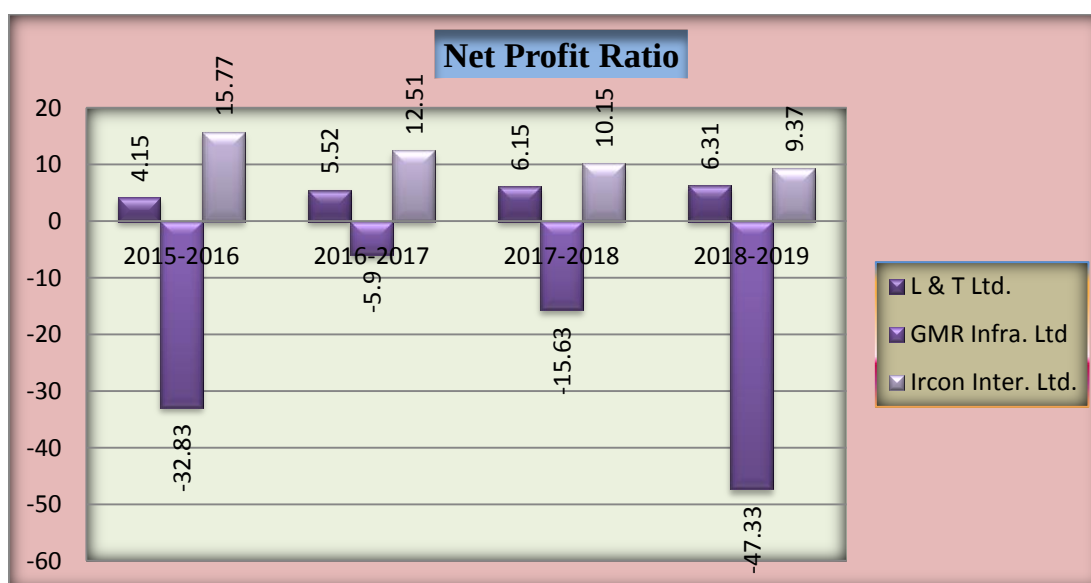
Net profit magnitude relation (NP magnitude relation) could be a widespread profitableness ratio that shows relationship between profits when tax and income.

It's computed by dividing net profit (after tax) by income.

$$\text{Net Profit} = \frac{\text{Net Profit after Tax}}{\text{Net Sales}} \times 100$$

Table no.2: Net Profit Ratio of Selected Infrastructure Companies in India.

Particular/ Years	Larsen & Toubro Ltd.	GMR Infrastructure Ltd.	Ircon International Ltd.	Average
2015-2016	4.15	-32.83	15.77	-4.303
2016-2017	5.52	-5.9	12.51	4.043
2017-2018	6.15	-15.63	10.15	0.223
2018-2019	6.31	-47.33	9.37	-10.550
Total	22.13	-101.69	47.8	



Graph no.2: Net Profit Ratio of Selected Infrastructure Companies in India.

Table No.2 depict that the highest net profit ratio of L & T was 6.31% in 2018-2019 and least Gross profit ratio was 4.15% in 2016-2017. In the case of GMR Infra as a whole, the table reveals as negative result. The highest loss of GMR Infra was -47.33 in 2018-2019 and the least of loss -5.9 in 2016-2017. In the case of Ircon Inter as a whole, the table reveals as decreasing trend. The highest net profit ratio of Ircon Inter was 15.77% in 2015-2016 and the least of net profit margin ratio 9.37% in 2018-2019.

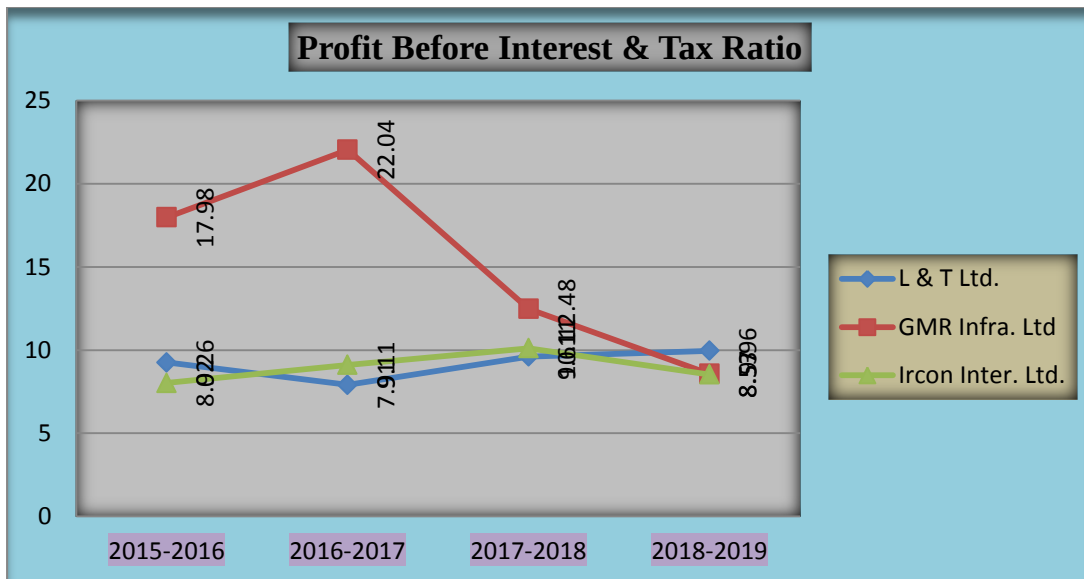
3. Profit before Interest tax

An earnings before interest Associate in attention taxes is an indicator of a company's profit. One will calculate it as revenue minus expenses, excluding tax and interest. EBIT is additionally named as operational earnings, operational profit, and profit before interest and taxes.

$$\text{EBIT} = \text{Net Income} + \text{Interest} + \text{Tax}$$

Table no.3: Profit Before Interest & Tax Ratio of Selected Infrastructure Companies in India.

Particular/ Years	Larsen & Toubro Ltd.	GMR Infrastructure Ltd.	Ircon International Ltd.	Average
2015-2016	9.26	17.98	8.02	11.753
2016-2017	7.91	22.04	9.11	13.020
2017-2018	9.61	12.48	10.11	10.733
2018-2019	9.96	8.57	8.53	9.020
Total	36.74	61.07	35.77	



Graph no.3: Profit Before Interest & Tax Ratio of Selected Infrastructure Companies in India.

Table No.3 reveals as fluctuating trend of selected Infrastructure companies. The highest profit before interest & tax ratio of L & T was 9.96% in 2018-2019 and least profit before interest & tax ratio was 7.91% in 2016-2017. In the case of GMR Infra as a whole, the table reveals as fluctuating trend. The highest profit before interest & tax of GMR Infra was 22.04% in 2016-2017 and the least of profit before interest & tax ratio 8.57% in 2018-2019. In the case of Ircon Inter as a whole, the table reveals as fluctuating trend. The highest profit before interest & tax ratio of Ircon Inter was 10.11% in 2017-2018 and the least of profit before interest & tax ratio 8.02% in 2018-2019.

4. Operating Profit Ratio

Operating income quantitative relation is calculated by dividing the operational income by sales. This quantitative relation helps in deciding the power of the management in running the business.

$$\text{Operating Profit} = \text{Net Profit} - \text{Operating Cost}$$

Table no.4: Operating Profit Ratio of Selected Infrastructure Companies in India.

Particular/ Years	Larsen & Toubro Ltd.	GMR Infrastructure Ltd.	Ircon International Ltd.	Average
2015-2016	11.09	33.38	10.6	18.357
2016-2017	10.18	33.81	10.67	18.220
2017-2018	11.33	25.06	11	15.797
2018-2019	11.57	22.4	9.95	14.640
Total	44.17	114.65	42.22	

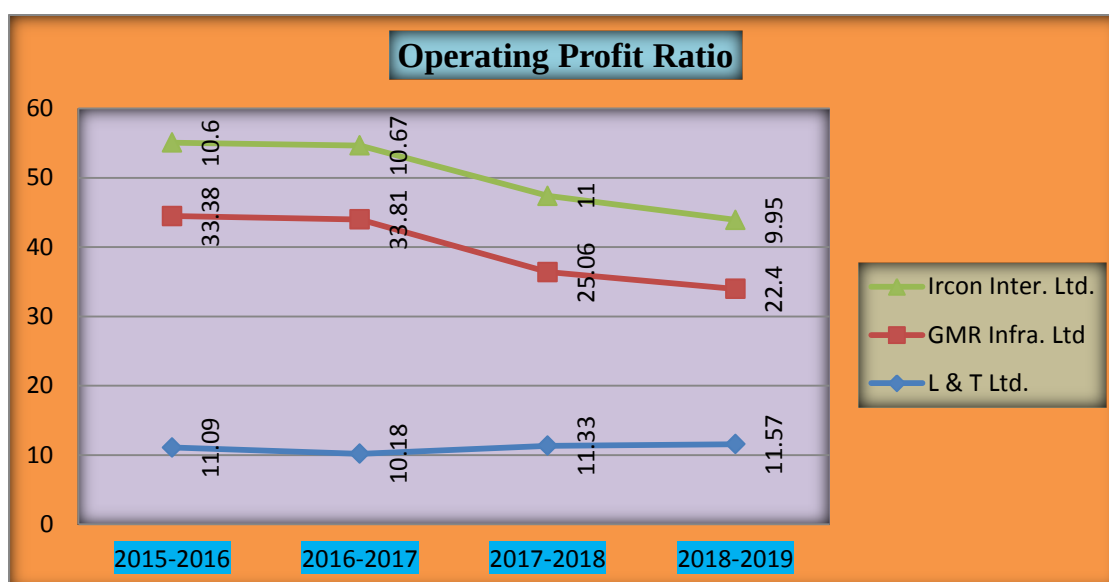


Table no.4: Operating Profit Ratio of Selected Infrastructure Companies in India.

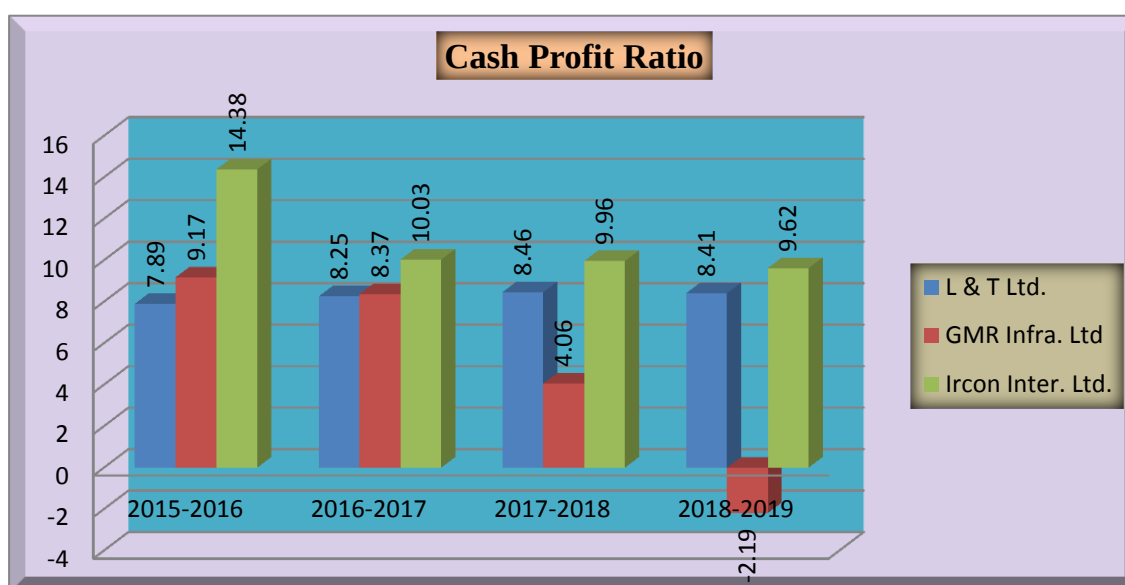
Table No.4 reveals as fluctuating trend of selected Infrastructure companies. The highest operating profit ratio of L & T was 11.57% in 2018-2019 and least operating profit ratio was 10.18% in 2016-2017. In the case of GMR Infra as a whole, the table reveals as fluctuating trend. The highest operating profit ratio of GMR Infra was 33.81% in 2016-2017 and the least of operating profit ratio 22.4% in 2018-2019. In the case of Ircon Inter as a whole, the table reveals as fluctuating trend. The highest operating profit ratio of Ircon Inter was 9.95% in 2017-2018 and the least of operating profit ratio 11% in 2018-2019.

5. Cash Profit Ratio

Cash profit is that the profit recorded by a business that uses the method of accounting of accounting. Below this methodology, revenues area unit supported money receipts and expenses area unit supported money payments. Consequently, money profit is that the internet modification in money from these receipts and payments throughout a news amount.

Table no.5: Cash Profit Ratio of Selected Infrastructure Companies in India.

Particular/ Years	Larsen & Toubro Ltd.	GMR Infrastructure Ltd.	Ircon International Ltd.	Average
2015-2016	7.89	9.17	14.38	10.480
2016-2017	8.25	8.37	10.03	8.883
2017-2018	8.46	4.06	9.96	7.493
2018-2019	8.41	-2.19	9.62	5.280
Total	33.01	19.41	43.99	



Graph no.5: Cash Profit Ratio of Selected Infrastructure Companies in India.

Table No.5 reveals as fluctuating trend of selected Infrastructure companies. The highest cash profit ratio of L & T was 8.46% in 201-2018 and least cash profit

ratio was 7.89% in 2016-2017. In the case of GMR Infra as a whole, the table reveals as fluctuating trend. The highest cash profit ratio of GMR Infra was 9.17% in 2015-2016 and the least of cash profit ratio -2.19% in 2018-2019. In the case of Ircon Inter as a whole, the table reveals as fluctuating trend. The highest cash profit ratio of Ircon Inter was 14.38% in 2015-2016 and the least of cash profit ratio 9.62% in 2018-2019.

Findings:

Larsen & Toubro Ltd GMR Infrastructure Ltd. & Ircon International Ltd. These are all Infrastructure companies are providing services. The major findings Larsen & Toubro Ltd GMR Infrastructure Ltd. & Ircon International Ltd. have been summarized below.

1. Gross profit ratio of GMR Infrastructure Ltd. Was better compared to other selected companies during the study period looking to year wise average of gross profit ratio the highest average 13.65 was observed in 2016-17 and lowest 9.45 was witnessed in 2018-19.
2. Net profit ratio of Ircon International Ltd. Was better compared to other selected companies during the study period looking to year wise average of gross profit ratio the highest average 4.043 was observed in 2016-17 and lowest -10.55 was witnessed in 2018-19.
3. Profit before interest & tax ratio of GMR Infrastructure Ltd. Was better compared to other selected companies during the study period looking to year wise average of gross profit ratio the highest average 13.02 was observed in 2016-17 and lowest 9.02 was witnessed in 2018-19.
4. Operating profit ratio of GMR Infrastructure Ltd. Was better compared to other selected companies during the study period looking to year wise average of gross profit ratio the highest average 18.35 was observed in 2015-16 and lowest 14.64 was witnessed in 2018-19.

Suggestions:

1. All the Infrastructure companies should implement new techniques of financial management for better performance in future.
2. The selected Infrastructure companies were earning almost income and paid reasonable dividend to shareholders because the shareholders invest their money in company.
3. Net Profit Ratio of GMR Infrastructure Ltd. Is not satisfactory during study period it is being observed negative result. Therefore the companies need to improvement in net profit ratio.

Conclusion:

Profit is life blood of any business. Without profit any organisation cannot survive. In this research an attempt has been made to understand profitability analysis of selected infrastructure companies India. For that purpose 3 infrastructure companies were selected based on sampling analysis was done based on selected 3 companies.

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