



A PROFITABILITY RATIO ANALYSIS OF SELECTED FOOTWEAR COMPANIES IN INDIA.

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Abstract

Profitability ratio is an indicator of net result of the company. The present study analyzes the profitability ratios of selected footwear companies in India. India is the 2nd largest consumer of footwear and this sector providing significant employment. The researcher taken three footwear companies as a sample of present study and examine the five years ratios of selected units. The study concluded that profitability ratio of Metro Brands is more than other two selected footwear companies.

Key Words: Profitability Ratio.

INTRODUCTION:

The word 'profitability' means the profit making or generating ability of the firm. The word profit and profitability both are different, in general profit is the excess of returns over expenditure and profitability is a ultimate result of business. The profitability also described as a profit-making capacity of the business. Profitability is a appropriate device to represents the earning of a business. The profitability of the firm also helps to measure the efficiency of the management. The computation of the profitability is crucial and helpful to the management, shareholders and creditors of the business. Profitability helps to take a important decision for the business. The profitability ratios discover whether the profitability is increasing or decreasing.

The present study investigates the profitability of selected footwear companies in India with the help of profitability ratios.

STATEMENT OF THE PROBLEM

The footwear industry is a labor intensive sector, particular this sector providing 4.42 million employments. The footwear industry is one of the largest sectors for the women employment, as about 40% workforce of this sector are women. In the last five years after training programs under the various government schemes about 0.5 million unemployed people have been employed in this sector. India is the second largest consumer of footwear in the world.

With inherent strengths of huge raw materials, skill manpower and application of modern technology, India has become a supplier of high quality goods. There are huge opportunities for the start-ups in this sector, as there are good prospects for exports. On the domestic front this sector has very good potential for growth. So it is essential for this sector to work on its earning capacity to maximize their profits. The present study helps to know about the profitability of Indian footwear companies. For that reason the researcher motivated to analyze the profitability of footwear companies.

REVIEW OF LITERATURE

Goyani, M. R.(2015), has examined profitability of selected diamond companies in India. He/she has selected nine diamond companies and concluded that there was not a satisfactory position of profitability in selected companies, most of the companies having unsatisfactory gross profit and net profit ratio. **Kumar, S.,& Gupta, M. V.(2016)**, they have analyze the profitability of Bharat Heavy Electricals Limited through mean, standard deviation, co-efficient of variation minimum- maximum, pearson's, kendall's, spearmen's correlation and F-test. They have taken ten years of secondary data and concluded that during the study period the profitability of selected company was appropriate and company was earning an acceptable return on invested capital. **Anand, R., & D'souza, M., (2016)**, have used mean, standard deviation, coefficient of variation and compound annual growth rate for their research. The research paper concluded that as compare to other selected companies the profitability of Bajaj Auto is satisfactory. **Dr. M. Krishnamoorthi. (2016)**, he/she has studied about the profitability of selected large cap companies & mid cap companies. The study is both descriptive and analytical nature. He/she used secondary data for his/her study. For selecting the samples, he/she had set some criteria like companies listed in NSE and BSE, 10 years data must be available etc. For the data analysis, he/she used various ratios & SPSS package with applications of ratio analysis and forecast models. He/she concluded that the profitability of selected units is very fair, except few belong to mid-cap companies. **Doleu, S.R., (2018)**, has compared the profitability of Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited. He/she takes five years data for study. The research study concluded that BPCL Performing better as compare to HPCL.

OBJECTIVE OF THE STUDY

The main objective of the study is to analyze the profitability ratio of selected footwear companies.

RESEARCH METHODOLOGY

To examine the profitability of selected footwear companies in India, researcher collected five years data of companies from their official website, their annual reports and monycontrol.com. The researcher collected profitability ratios from the year 2019 to 2023. The samples for the present study are Metro Brands, Relexo Footwear and Bata India. The researcher selected these samples on the basis of market capitalization. To analyze the profitability researcher taken Net profit margin, Operating Profit Margin, Return on Equity, and Return on Capital Employed.

LIMITATIONS OF THE STUDY

The study is limited to five years data of selected three footwear companies in India.

The present study is based on published financial data, which are taken from the various published articles, reports etc.

For the present study the researcher collected secondary data, so this limitation of secondary data is also affected to the study.

RESULTS AND DISCUSSION

Following profitability ratios have used in present study.

- Net Profit Margin
- Operating Profit Margin
- Return on Equity
- Return on Capital Employed

Net Profit Margin

Table 1.1:- The Table Showing Net Profit Margin of Three Selected Footwear Companies

Companies Years	Metro Brands	Relexo Footwear	Bata India
2019	12.8	7.5	11.2
2020	12.7	9.2	10.9
2021	9	12.2	-5
2022	15.8	8.7	4.3
2023	17.9	5.5	9.4
Average	13.64	8.62	6.16

(Source:- Computed in Excel)

The above table has shown Net Profit Margin of Metro Brands, Relexo Footwear and Bata India. The average net profit margin of Metro Brands is more than Relexo Footwear and Bata India. The net profit margin of Metro Brands is 13.64, Relexo Footwear is 8.62 and Bata India is 6.16. It shows high profitability of Metro Brands as compare to remaining selected companies.

Operating Profit Margin

Table 1.2:- The Table Showing Operating Profit Margin of Three Selected Footwear Companies

Companies Years	Metro Brands	Relexo Footwear	Bata India
2019	19.9	14.4	16.7
2020	28.4	17.1	27.7
2021	22.9	21.2	9.9
2022	31	15.8	18
2023	33.2	12.2	23.4
Average	27.08	16.14	19.14

(Source:- Computed in Excel)

The Metro Brands has a highest Operating Profit Margin (27.08%). The Relexo Footwear has 16.14% average Operating Profit Margin and Bata India has 19.14% average of Operating Profit Margin. The operating profit margin of Metro Brands is more than other two selected companies.

Return on Equity

Table 1.3:- The Table Showing Return on Equity of Three Selected Footwear Companies

Companies Years	Metro Brands	Relexo Footwea r	Bata India
2019	24.2	18.4	20.5
2020	21.2	18.6	18.3
2021	9	20.2	-4.7
2022	20.3	13.8	5.8
2023	26.6	8.4	19.9
Average	20.26	15.88	11.96

(Source:- Computed in Excel)

In case of Return on Equity ratio it is clearly shows that the Metro Brands has high return on equity than other two selected brands i.e. Relexo Footwear and Bata India. the ROE of selected companies shows that Metro Brands has more profitable than Relexo Footwear and Bata India.

Return on Capital Employed

Table 1.4:- The Table Showing Return on Capital Employed of Three Selected Footwear Companies

Companies years	Metro Brands	Relexo Footwea r	Bata India
2019	24.2	16.7	21.1
2020	25	18.7	23.2
2021	12.9	20.9	-0.5
2022	23.7	14.5	9.7
2023	29.7	9.2	25
Average	23.1	16	15.7

(Source:- Computed in Excel)

The average of Return on Capital Employed ratio of Metro Brands (23.1%) has more than Relexo Footwear (16%) and Bata India (15.7%). The result of this ratios support above interpretation.

CONCLUSION

Analyzing the five years data of profitability ratio i.e. Net Profit Margin, Operating Profit Margin, Return on Equity and Return on Capital Employed has concluded that profitability ratio of Metro Brands is more than Relexo Footwear and Bata India.

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