International Journal of Engineering Research and Science & Technology

www.ijerst.org

ISSN : 2319-5991

Vol. 22 No. 1 (2026)

ijerst.editor@gmail.com

editor@ijerst.com

International Journal of Engineering Research and Science & Technology

ISSN 2319-5991 www.ijerst.com
Vol. 22, No. 1, 2026

Peer Reviewed, Referred & Indexed Journal

Research

A study on profitability analysis at India cements limited, Chilamakuru

*** M.Swarna Latha[1], **B.Nagaveni[2],**

E-Mail:- swarnalathareddymallu@gmail.com , venimba.2012@gmail.com,

Corresponding Author – B.Nagaveni

India cements limited, Chilamkuru

Mobile. No:8341233031, 7780792466,

1.Student, Department of MBA, Chaitanya Bharathi Institute of Technology, Proddatur

2. Assistant Professor, Department of MBA, Chaitanya Bharathi Institute of Technology, Proddatur

ABSTRACT

Profitability analysis is an important tool used to understand the earning capacity and financial strength of a company. It helps in evaluating how efficiently a company utilizes its resources to generate profits and sustain its business operations. By examining various financial indicators, profitability analysis provides insights into the operational performance and overall financial health of an organization.

This study focuses on analyzing the profitability position of India Cements Ltd by examining its financial statements. The analysis aims to assess how effectively the company manages its resources and generates profits over a period of time. Through this evaluation, the study seeks to understand the financial performance of the company and identify its strengths and areas for improvement.

Keywords: Profitability Analysis , Financial Performance , Financial Statements, Earnings Capacity, Profit Generation ,Ratio Analysis , India Cements Ltd

INTRODUCTION

Profitability Analysis

Finance plays a vital role in the successful functioning of every business organization. It is considered the lifeblood of business as it is required for establishing, operating, and expanding business activities. Efficient financial management ensures optimal utilization of resources and helps organizations achieve their objectives. In today's competitive business environment, proper financial planning, analysis, and control are essential for maintaining stability and growth. One of the key aspects of financial management is analyzing the profitability of the organization, which reflects its ability to earn profits from its operations.

FORMULAS

1**. Gross Profit Ratio**

This shows the company's ability to generate profit from sales.

Formula:

Gross Profit Ratio = (Gross Profit / Net Sales) × 100

Gross Profit = Net Sales – Cost of Goods Sold

2**. Net Profit Ratio**

It measures the overall profitability of the company after all expenses.

Formula:

Net Profit Ratio = (Net Profit / Net Sales) × 100

3. Operating Profit Ratio

It shows how efficiently the company manages its operating expenses.

Formula:

Operating Profit Ratio = (Operating Profit / Net Sales) × 100

Operating Profit = Gross Profit – Operating Expenses

4. Earnings Per Share (EPS)

It measures the profit earned for each share.

Formula:

Earnings Per Share = Net Profit / Number of Equity Shares

REVIEW OF LITERATURE:

1. Weston and Brigham (2004)

Profitability analysis measures a firm's ability to generate earnings in relation to its sales, assets, and shareholders' equity.

Ratios like gross profit ratio, operating profit ratio, and net profit ratio help in evaluating management efficiency and cost control.

2. I. M. Pandey (2010)

Profitability ratios are useful for management, investors, and creditors.

Ratios such as Return on Assets (ROA) and Return on Equity (ROE) show how efficiently a company uses its resources to earn profits.

Consistent profitability supports business growth and investor confidence.

3. James C. Van Horne and John M. Wachowicz Jr. (2009)

Profitability analysis helps in understanding the operating performance and competitive position of a firm.

They highlighted the importance of trend analysis and inter-firm comparison to evaluate profitability over time.

4. Lawrence J. Gitman (2012)

Profitability is the ultimate goal of every business enterprise.

Profitability ratios connect the income statement and balance sheet, helping analysts understand the relationship between revenue, costs, and investments.

Higher profitability indicates better cost control and pricing strategies.

5. M. Y. Khan and P. K. Jain (2014)

Profitability analysis is an important part of financial statement analysis.

Profitability ratios help management in planning, decision-making, and control.

Declining profitability signals the need for corrective managerial actions.

6. Empirical Studies in Manufacturing and Cement Industry

Profitability is influenced by factors such as raw material costs, energy expenses, capacity utilization, and market demand.

Effective cost management and optimal asset utilization improve profitability in capital-intensive industries like cement manufacturing.

7. Overall Conclusion from Literature

Profitability analysis is essential for evaluating financial performance and long-term sustainability.

Tools like profitability ratios, trend analysis, and comparative analysis help in understanding the financial strength of a company and support better managerial decisions.

NEEDS FOR THE STUDY

The study of profitability analysis helps to understand the financial strength and earning capacity of India Cements Ltd. It evaluates how efficiently the company uses its resources to generate profits and manage its expenses. By analyzing the financial statements, the profitability position of the company over a period of time can be clearly understood.

Profitability analysis is useful for management, investors, and creditors to assess the overall financial performance of the company. It helps management in decision-making and planning, while investors and creditors can evaluate whether the company is generating sufficient profits and maintaining financial stability.

OBJECTIVES OF THE STUDY

1.To identify major factors influencing the profitability of the company

2.To compare year wise financial performance for better understanding

3.To find strength and weakness of the profitability performance of the company

4.To evaluate the trend of profits over the selected period of study

5.To analyse the profitability position of the company using profitability ratios

RESEARCH METHODOLOGY:

Research Design:

Descriptive research design.

Sources of Data:

Primary Data

Secondary Data:

Annual reports, financial statements (Balance Sheet and Profit & Loss Account), company records, and published financial information of India Cements Ltd.

Sampling Method:

Financial statement analysis of the selected years of India Cements Ltd.

Statistical Tools Used:

Gross Profit Ratio

Net Profit Ratio

Operating Profit Ratio

Earnings Per Share (EPS)

DATA ANALYSIS & INTERPRETATION

YEAR	NET SALES	GROSS PROFIT	NET PROFIT	OPERATING PROFIT	TOTAL ASSETS	SHAREHOLDERS EQUITY	OPERATING COST	CAPITAL EMPLOYED	SHARES(CR)
2021	4600	920	180	420	8900	5600	4180	7200	31
2022	5200	1040	220	480	9499	5818	4720	7800	31
2023	5100	980	150	410	8941	5598	4690	7500	31
2024	4998	900	-227	320	8253	5399	4678	7200	31
2025	5400	1020	210	450	8700	5600	4380	7500	31

1.Profitability Analysis of India Cements Ltd. Chilamakuru unit *(₹ in Crores)*

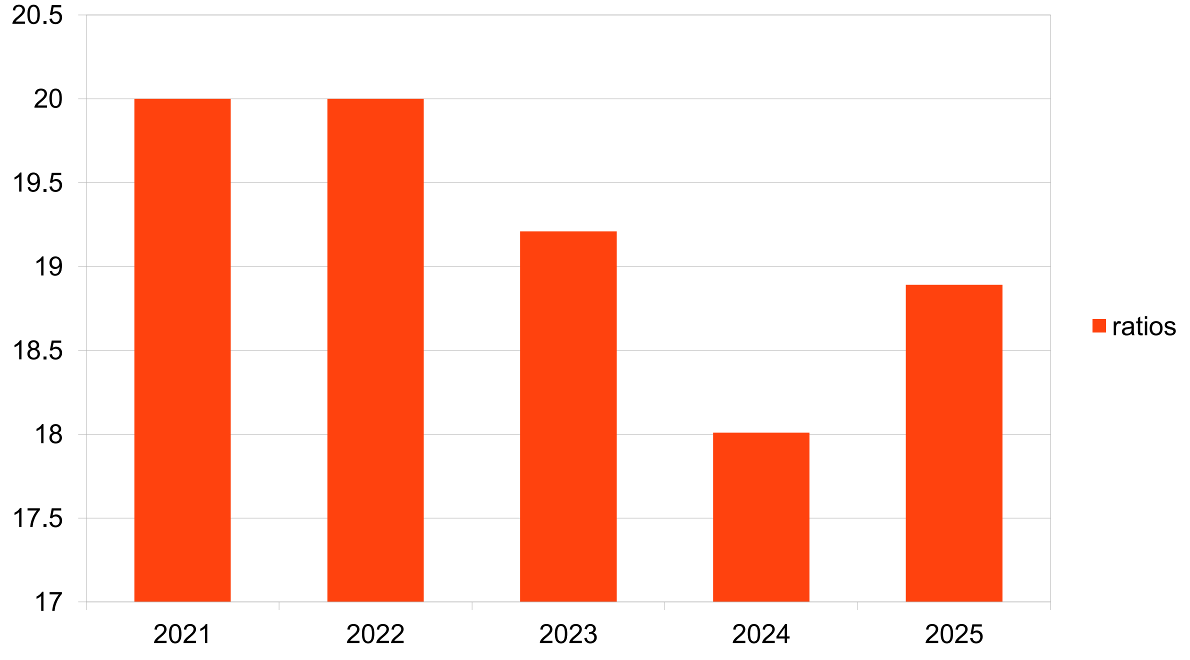
Table 1: Financial Data (₹ Crores)

1. Gross Profit Ratio

Formula
Gross Profit Ratio = (Gross Profit / Net Sales) × 100

Year	Gross Profit	Net Sales	Ratio (%)
2021	920	4600	20.0%
2022	1040	5200	20.0%
2023	980	5100	19.21%
2024	900	4998	18.01%
2025	1020	5400	18.89%

Bar Chart (Gross Profit Ratio)



Interpretation:

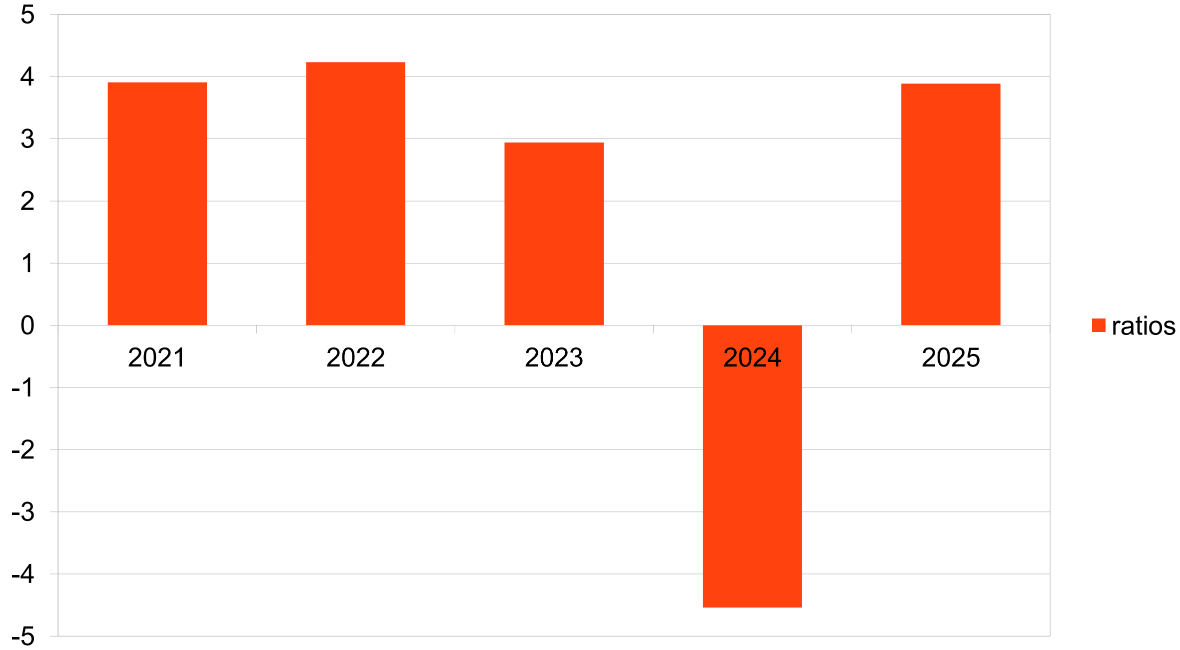
Gross profit ratio remained stable in 2021–2022, declined in 2023–2024 due to rising production costs, and slightly improved again in 2025.

2. Net Profit Ratio

Formula
Net Profit Ratio = (Net Profit / Net Sales) × 100

Year	**Net Profit**	**Net Sales**	**Ratio (%)**
2021	180	4600	3.91%
2022	220	5200	4.23%
2023	150	5100	2.94%
2024	-227	4998	-4.54%
2025	210	5400	3.89%

Bar Chart (Net Profit Ratio)



Interpretation:

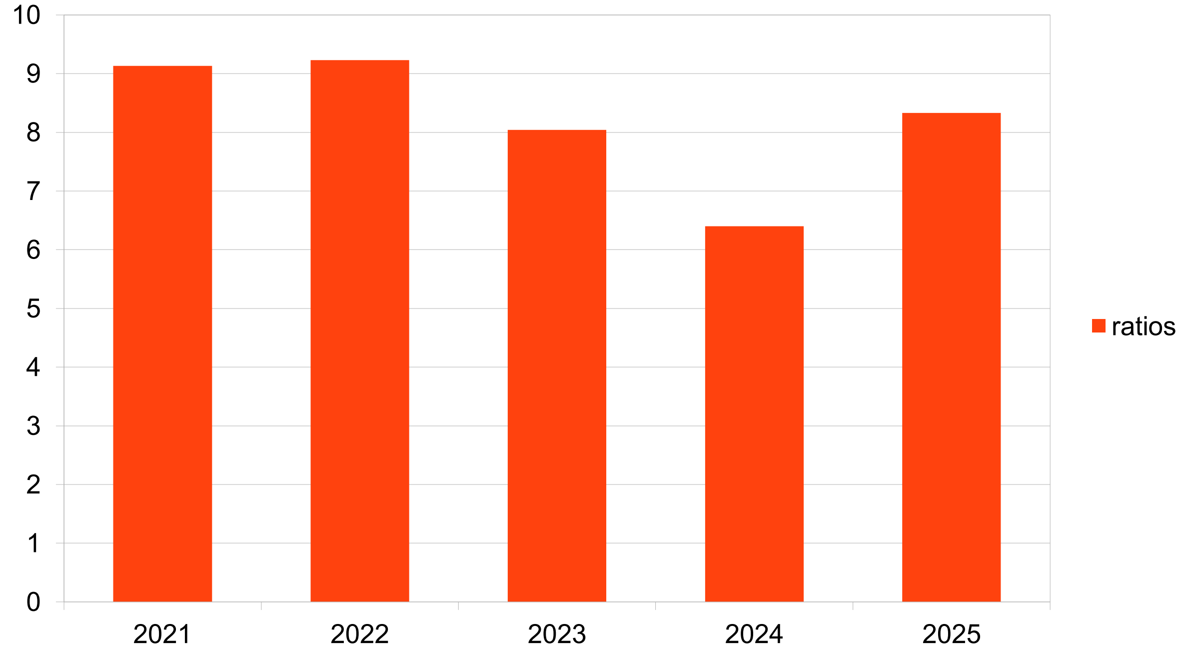
Interpretation: Profit increased until 2022, declined in 2023, resulted in loss in 2024, and recovered again in 2025.

3.Operating profit

Formula
Operating Profit Ratio = (Operating Profit / Net Sales) × 100

Year	Operating Profit	Net Sales	Ratio (%)
2021	420	4600	9.13%
2022	480	5200	9.23%
2023	410	5100	8.04%
2024	320	4998	6.40%
2025	450	5400	8.33%

Bar Chart (Operating Profit Ratio)



Interpretation:

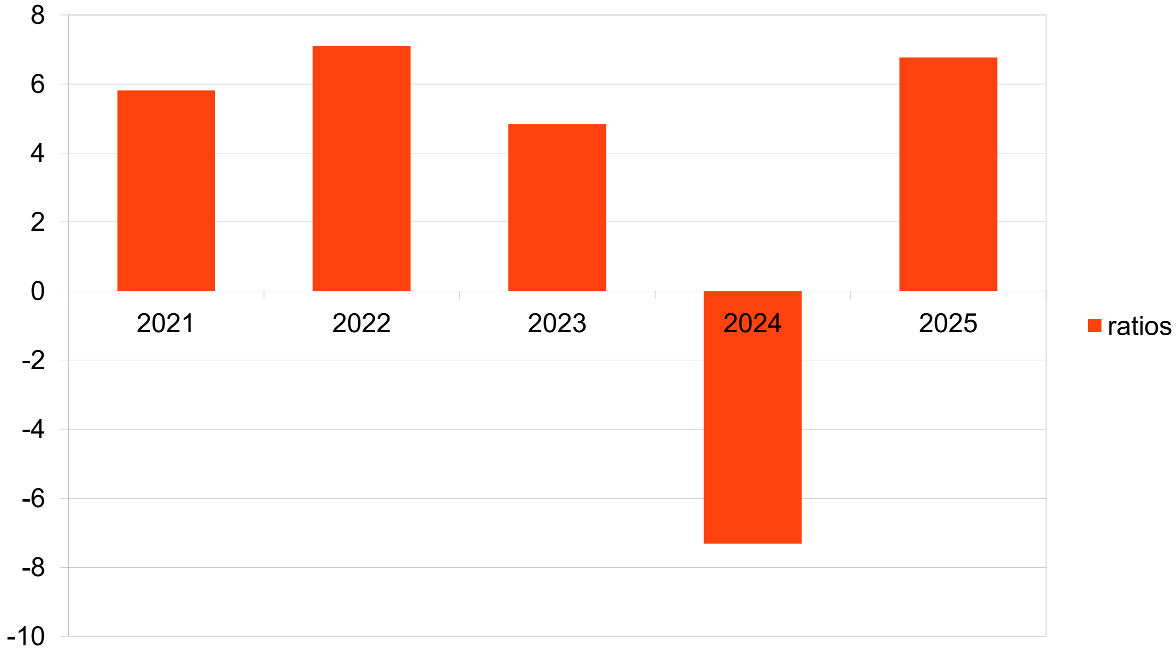
Interpretation: Operating efficiency declined in 2023–2024 but improved again in 2025.

4.Earnings per share(EPS)

Formula
EPS = Net Profit / Number of Shares

Year	**Net Profit**	**Shares**	**EPS (₹)**
2021	180	31	5.81
2022	220	31	7.10
2023	150	31	4.84
2024	-227	31	-7.32
2025	210	31	6.77

Bar Chart (EPS)



Interpretation:

Interpretation: EPS increased in 2022, decreased in 2023, became negative in 2024, and recovered in 2025.

RESEARCH FINDINGS:

• The gross profit ratio remained stable during the initial years and showed a slight decline in later years, indicating an increase in production or operating costs.

• The net profit ratio improved up to 2022, which shows better profitability and cost control, but it declined in 2023 and resulted in a loss in 2024 before recovering again in 2025.

• The operating profit ratio shows that the company maintained a moderate level of operational efficiency during the study period, although a decline was observed in 2023–2024 due to increased operating expenses.

• The earnings per share (EPS) increased in the early years, indicating better returns to shareholders, but it decreased during the period of lower profitability and became negative in 2024.

• Overall, the profitability position of the company fluctuated during the study period, but the recovery in 2025 indicates an improvement in the company's financial performance and earning capacity.

SUGGESTIONS:

• The company should focus on reducing production and operating costs to improve the gross profit ratio and maintain stable profit margins.

• The management should adopt effective cost control measures and efficient resource utilization to improve the net profit ratio.

• It is suggested that the company strengthen its operational efficiency and production planning to enhance the operating profit ratio.

• The company should work on improving sales volume and expanding market reach in order to increase revenue and profitability.

• The management should take necessary steps to improve shareholder returns by increasing earnings per share (EPS) through better financial performance.

• The company should also focus on better financial planning and strategic decision-making to maintain consistent profitability in the future.

CONCLUSION:

The profitability analysis of India Cements Ltd shows that the company experienced fluctuations in its profitability during the study period from 2021 to 2025. The analysis of gross profit ratio,

net profit ratio, operating profit ratio, and earnings per share indicates that the company maintained moderate profitability in the initial years but faced a decline in performance during 2023 and 2024. This decline may be due to increased operating costs and other financial challenges.

However, the improvement observed in 2025 indicates that the company has started recovering and improving its financial performance. The overall analysis suggests that with better cost control, efficient management, and improved operational strategies, the company can strengthen its profitability and achieve sustainable growth in the future.

REFERENCES:

1. Annual Reports of India Cements Ltd, 2020–2024

2. Lawrence J. Gitman (2012). Principles of Managerial Finance. Pearson Education.

3. James C. Van Horne and John M. Wachowicz Jr. (2009). Fundamentals of Financial Management. Prentice Hall.

4. M. Y. Khan and P. K. Jain (2014). Financial Management: Text, Problems and Cases. McGraw Hill Education.

5. 2024I. M. Pandey (2010). Financial Management. New Delhi: Vikas Publishing House Pvt. Ltd.

6. Official Website of India Cements Ltd – www.indiacements.co.in

7. Money control – Financial statements and company analysis.