

Profitability Analysis Of Home Appliances Manufacturing Companies In India

M.SURESH¹, Dr. J. PARAMASIVAM²

¹Ph.D Research Scholar, Department of Commerce, Annamalai University, Assistant Professor, PG and Research Department of Commerce, Thiru Kolanjiappar Government Arts College, Vriddhachalam.

²Assistant Professor, PG and Research Department of Commerce, Thiru Kolanjiappar Government Arts College, Vriddhachalam.

Abstract

Home appliances are used to carry out chores around the house including cleaning and cooking. We depend on household appliances on a regular basis for activities like cooking, washing, exercising, purifying etc. Large appliances that are often located in bedrooms, bathrooms, hallways, and kitchens make up the majority of residential appliances. Cooking, food preservation, and cleaning are all basic housekeeping tasks that are aided by the kitchen's appliances. By using the appropriate household items, any home's décor may look stylish.

A refrigerator and air conditioner are now commonly used because of the hot climate. This will offer some kind of cooling and refreshing. The usage of refrigerators allows for the long-term preservation of produce and other goods. The major appliances found in every home are refrigerators, mixer/grinders, gas stoves, pressure cookers, TVs, air conditioners, music players, home theatres, digital players, ceiling fans, air purifiers, personal computers, vacuum cleaners, ironing boards, water purifiers, and water heaters. Home appliances have become more user-friendly as a result of technological developments and inventions, enabling the quickest completion of household duties.

Home appliances industry in India recorded a tremendous growth in recent years. This triggers an interest in studying

the performance of the sector. Financial Performance analysis of companies operating in a sector is an important aspect to be done while studying the performance of the sector. The liquidity, profitability and leverage happen to be the most prominent aspects of Financial Performance analysis and are measured by almost all the companies analyzing their Financial Performance.

Introduction

Home appliances are used to carry out chores around the house including cleaning and cooking. We depend on household appliances on a regular basis for activities like cooking, washing, exercising, purifying, etc. Large appliances that are often located in bedrooms, bathrooms, hallways, and kitchens make up the majority of residential appliances. Cooking, food preservation, and cleaning are all basic housekeeping tasks that are aided by the kitchen's appliances. By using the appropriate household items, any home's décor may look stylish. Anywhere has a fairly appealing and presentable atmosphere as a result.

A refrigerator and air conditioner are now commonly used because of the hot climate. This will offer some kind of cooling and refreshing. The usage of refrigerators allows for the long-term preservation of produce and other goods. The major appliances found in every home are refrigerators, mixer/grinders, gas stoves, pressure cookers, TVs, air conditioners, music players, home theatres, digital players, ceiling fans, air purifiers, personal computers, vacuum cleaners, ironing boards, water purifiers, and water heaters. For the contemporary lifestyle of today, these pricey yet required household items represent a significant investment. Home appliances have become more user-friendly as a result of technological developments and inventions, enabling the quickest completion of household duties.

How well all the household objects are arranged can, to a large extent, determine the beauty and comfort of a home. The placement of household equipment is a critical

matter because the kitchen is a key space in the home. They are crucial in the design process. On the one hand, we require specific appliances to make kitchen tasks comfortable and productive. To get the most of their placement among the home things, however, these appliances must be set up properly.

It is not necessary that having every appliance in the kitchen will make housekeeping tasks comfortable or efficient. This is where design plays a vital and significant role. Without a dedicated space for each home appliance, they may reduce the comfort and efficiency of household tasks, defeating the entire purpose for which they were purchased. A wonderfully built home can undoubtedly become the most significant space in the home, bringing the entire family together frequently and keeping them bound in the ties of domestic bliss.

Significance of the Study

Home Appliances industry in India has shown remarkable growth in recent past. This gives a thrust in studying the financial performance of the Home Appliances sector. Financial Performance analysis of Companies operating in a sector is an important aspect to be done while studying the performance of the sector. The liquidity, profitability and leverage happen to be the most prominent aspects of this financial performance analysis and are measured by almost all the Companies willing to learn their financial performance. This research study is intended in measuring the Profitability of the companies selected for study in domestic appliances sector.

Review of Literature

The review of literature is done to enlighten the researchers about the various tools and techniques used by the previous researchers in doing similar researches. Based on the review the researcher gets better idea to carry out the current research. To get a clear picture of the methodology used in the historical studies, reviewing those literatures become inevitable.

P. Kasthuri, C. Rajendran (2020) analysed the Financial performance of two top most home appliances Companies in India during the 5 years period from 2014 to 2018. The study evaluated the impact of working capital on profitability of the companies and the trend of liquidity and activity of the chosen companies. Correlation, regression and trend analysis are used for the study.

“India Kitchen Appliances Market Forecast & Opportunities, 2019” reports the expected growth potentiality of Indian Home appliances market and projects related statistical data and also the related information about the market structure, expected trend of home appliances consumer behavior , home appliances market projections and future growth in demand for home appliances.

Nisha S Tatkar(2016), in her study found that the changes in demographics, such as people’s rapid shifting from joint family setup to nuclear family setup, fast phase urbanisation, increase in disposable family income due to large scale industrial development and the quench for comfort and luxury, play a vital role in growing the demand for home appliances day by day. Moreover, now a day’s almost all members of the family are working and hence have very little time to do the household chores. So they are compelled to depend on advanced modern home appliances to reduce their burden.

Objectives of the Study

The objectives of the study are as below:

- To evaluate the Profitability status of the selected Home Appliances manufacturing companies in India.
- To rank the chosen Home Appliances manufacturing companies according to their Profitability status during the study period.
- To bring out the best performing Company based on Profitability.

Period of the Study

The present study is carried out for a period of ten years starting from 2012-13 to 2021-22. The ten years data is collected and analysed for the purpose of attaining the above listed objectives.

Sample Design

The present study is done on the universe of Domestic Appliances manufacturing companies in India. This especially comprises only the Domestic Appliances manufacturing companies that are listed in NSE. This universe is derived from the official website of money control (www.moneycontrol.com). The universe also excludes the white goods manufacturing companies which are not taken for the research study. Totally seven companies coming under Consumer durable sector in India, are listed in NSE. Out of those seven companies, four are white goods manufacturing units which are not within the scope of present study. The remaining three domestic appliances manufacturing companies comes under the study scope.

Data source

The present study is purely based on secondary data. The said secondary data is collected from the published annual reports of the Companies chosen for the study.

Scope of the study

The scope of the study is limited to the three Home appliances manufacturing companies in India, listed with NSE and reflected in www.moneycontrol.com. The scope is limited to analysis of Profitability status using ratio analysis as financial analysis tool and mean, t test and ANOVA as statistical tool. The Companies selected for the study are:

- Bajaj Electricals Limited
- TTK Prestige Limited
- Butterfly Gandhimathi Appliances Ltd

Limitations of the Study

There are six ratios available to calculate and study the Profitability status of any Company. However, only Gross Profit ratio and Net Profit ratio are used in this study.

Hypotheses for Leverage Analysis

Ho: There is no significant difference between the Gross Profit ratio of selected manufacturing units during the study period.

Ho: There is no significant difference between the Net Profit ratio of selected manufacturing units during the study period.

PROFITABILITY RATIOS

Profitability ratios are a set of dimensions used to find out the ability of a business to generate earnings. These ratios are considered to be favorable when they progress over a trend line or are relatively better than the results of competitors. Profitability ratios are derived from a comparison of revenues to difference groupings of expenses within the income statement. A diverse class of profitability ratios contrast the results listed on the income statement to the information on the balance sheet. The intent of these latter measurements is to examine the efficiency with which management can produce profits, in comparison to the amount of equity or assets at their disposal. If the outcome of these measurements is high, it implies that resource usage has been minimized. The profitability ratios calculated in this study are:

1. Gross Profit Margin Ratios
2. Operating Profit Margin Ratios
3. Net Profit Margin Ratios
4. Return on Total Assets
5. Return on Equity Share Capital
6. Return on Capital Employed Ratio

Trends in profitability ratios

Gross profit margin ratio is arrived after subtracting all costs related to the cost of goods sold in the income statement from sales, and then divides the result by sales. This is used to determine the proportion of sales still available after goods and services have been sold to pay for selling and administrative costs and generate a profit. This ratio includes the allocation of fixed costs to the cost of goods sold, so that the result tends to yield a smaller percentage than the contribution margin ratio. Also, since the ratio is derived from both fixed and variable expenses, the profit percentage tends to increase as sales go up, since the fixed expenses are covered by initial sales.

Table 1.1 depicts that the Gross Profit ratio of BEL, TTK & Butterfly during the first year of the study period is 8.11, 15.87 and 10.7 respectively and this ratio has reached the maximum level of 8.18 in BEL, 16.83 in TTK and 10.7 in Butterfly during the period. A high fluctuation in GP ratio in BEL, TTK & Butterfly has been observed.

$$\text{Gross profit ratio} = \text{Gross profit} / \text{Net Sales} * 100$$

Gross Profit Ratio

H01: There is no significant difference in GP ratio of selected Companies during the study period.

H11: There is significant difference in GP ratio of selected Companies during the study period.

Table 1.1 GROSS PROFIT MARGIN RATIOS

Year	Bajaj Electricals Ratio	TTK Prestige Ratio	Butterfly Gandhimathi Ratio
Mar-12	8.11	15.87	10.7
2013	3.76	15.34	10.26
2014	2.4	12.99	7.33
2015	2.66	11.11	8.32
2016	6.11	12.59	7.23

2017	6.53	12.57	4.46
2018	7.36	14.23	6.71
2019	6.2	15.82	7.32
2020	5.21	14.74	6.21
2021	8.18	16.83	9.34
Total	56.52	142.09	68.96
Average	5.652	14.209	6.896
Minimum	2.4	11.11	4.46
Maximum	8.18	16.83	10.7

Source: Calculated from Annual Reports.

From Table 1.1 it is evident that the Gross profit ratio of Bajaj Electricals Limited is maximum during March 2021 with a reading of 8.18 and minimum during March 2014 with a reading of 2.4. The current ratio of TTK Prestige Limited is maximum during March 2021 with a reading of 16.83 and minimum during March 2015 with a reading of 11.11. The GP ratio of Butterfly Gandhimathi Appliances Limited is maximum during March 2012 with a reading of 10.7 and minimum during March 2017 with a reading of 4.46. The average Gross Profit Ratio for Bajaj Electricals Limited is 5.65, TTK Prestige Limited is 14.21 and Butterfly Gandhimathi Appliances Limited is 6.89 during the study period.

Table 1.2 ANOVA TABLE FOR Gross Profit Ratio

	Sum of Squares	Degree of freedom	Mean Square	F Value	Table Value
Between Groups	396.713	2	198.357	52.064	3.34
Within Groups	102.866	27	3.810		
Total	499.579	29			

Source: Calculated from Annual Reports.

From Table 1.2 p value (< 0.05) is statistically significant. Hence the null hypothesis H_0 is rejected.

Inference

There is significant difference in GP ratio of selected Companies during the study period.

Net Profit Ratio

This is used to determine the amount of earnings generated in a reporting period, net of income taxes. The net profit ratio subtracts all expenses in the income statement from sales, and then divides the result by sales. If the accrual basis of accounting is used, this can result in a figure that is different from what cash flows would indicate, due to the accrual of expenses for which payments have not yet been made.

Table 2.1 depicts that the Net Profit ratio of BEL, TTK & Butterfly during the first year of the study period is 3.8, 10.27 and 5.15 respectively and this ratio has reached the maximum level of 4.01 in BEL, 14.7 in TTK and 5.15 in Butterfly during the period. A high fluctuation in GP ratio in BEL, TTK & Butterfly has been observed.

$$\text{Net Profit ratio} = \text{Net Profit} / \text{Net Sales} * 100$$

Net Profit Ratio

H01: There is no significant difference in NP ratio of selected Companies during the study period.

H11: There is significant difference in NP ratio of selected Companies during the study period.

Table 2.1 NET PROFIT MARGIN RATIOS

Year	Bajaj Electricals Ratio	TTK Prestige Ratio	Butterfly Gandhimathi Ratio
Mar-12	3.8	10.27	5.15
2013	1.51	9.79	4.57
2014	-0.13	8.64	2.93
2015	0.32	6.64	0.53

2016	2.07	7.52	1.37
2017	2.52	8.91	-12.78
2018	1.77	14.7	0.89
2019	2.5	9.67	1.46
2020	0	10.24	0.58
2021	4.01	11.56	4.15
Total	17.73	97.94	8.85
Average	1.773	9.794	0.885
Minimum	0.32	6.64	-12.78
Maximum	4.01	14.7	5.15

Source: Calculated from Annual Reports.

From Table 2.1 it is evident that the Net profit ratio of Bajaj Electricals Limited is maximum during March 2021 with a reading of 4.01 and minimum during March 2015 with a reading of .32. The NP ratio of TTK Prestige Limited is maximum during March 2018 with a reading of 14.7 and minimum during March 2015 with a reading of 6.64. The NP ratio of Butterfly Gandhimathi Appliances Limited is maximum during March 2012 with a reading of 5.15 and minimum during March 2017 with a reading of -12.78. The average Net Profit Ratio for Bajaj Electricals Limited is 1.77, TTK Prestige Limited is 9.79 and Butterfly Gandhimathi Appliances Limited is 0.89 during the study period.

Table 2.2 ANOVA TABLE FOR Net Profit ratio

	Sum of Squares	Degree of Freedom	Mean Square	F Value	Table Value
Between Groups	478.635	2	239.317	21.670	3.34
Within Groups	298.181	27	11.044		
Total	776.816	29			

Source: Calculated from Annual Reports.

From Table 2.2 p value (< 0.05) is statistically significant. Hence the null hypothesis H_0 is rejected.

Inference

There is significant difference in Net Profit ratio of selected Companies during the study period.

Table 3.1 Comparison on the basis of Mean value of Ratios in relation to Profitability

Leverage Ratios	Bajaj Electricals Limited	TTK Prestige Limited	Butterfly GM Limited
Gross Profit Ratio	5.652	14.209	6.896
Net Profit Ratio	1.773	9.794	0.885
Sum of mean	7.425	24.003	7.781
Average score	3.713	12.002	3.891
Ranking	3	1	2

From Table 3.1 it is evident that Butterfly Gandhimathi Appliances Limited ranks second, Bajaj Electricals Limited ranks third and TTK Prestige Limited ranks first in Profitability status during the study period.

Conclusion

From the above Profitability analysis of selected Home Appliances manufacturing Companies, it is concluded that TTK Prestige Limited performed best during the study period and Butterfly Gandhimathi Appliances Limited performance is average. The Leverage status of Bajaj Electricals Limited lags far behind the other two companies chosen for the study during the study period.

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