Profitability Analyses in Post – Acquisition of JK Tyre Company ltd

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***Abstract*- When two companies are combined to form a single it is merger while an acquisition refers to the purchase of company by another one, which means that no new company is formed, the main purpose of a business unit is to make profit. This study is to analyse profitability through light on the current operating performance and efficiency of business firms. The study period of the company is 2014-2018. This study conducted on descriptive research methodology. For analysis of profitability, chose both statistical and finical tool. It should be daily noted that net income figure alone is not very helpful in determining the efficiency and performance of the business firm unless it is related to some other figure such as sales, cost of goods sold operating expenses, capital invested etc. analysing company how to performing the market and getting the profit what are stragies use in the getting the profits this study can analysing.**

1. INTRODUCTION

Merger it is combine two companies and work together when the merger will be arranging between the two companies both company's work together for making profit. Both company's assets, shares, and all the resources combined and focus on the current operating performance and efficiency of the business firm. Extensive research has been done on whether acquisitions are profitable or lead to wealth reduction for shareholders and empirical studies have revealed that mergers tend to provide a mixed performance to the shareholders involved the profit is excess of revenues over associated expenses for an activity over a period of time. Terms with similar thus, profit is not just the reward to owners but it is also related with the interest of others segments of the society. Every business should earn sufficient profits to survive and grow over a long period of time.

2. CONCEPTUAL THEORY

Profitability means ability to make profit from all the business activities of an organisation, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According to Harvard & upton, "profitability is the ability of a given investment to eam a return from its use"

A profitability model is a business structure established gradually by the business to gain profit in the process of market competition for a specific type of business it is a certain operational approach that generates relatively greater sales and profit with relates less input. The determinants of profitability and theories thereof used in this study are those frequently described in conventional study. The profitability determines were basically divided into two main categories, namely the internal determinates and the external determinants.

3. LITERATURE REVIEW

Dr. Monica tulsian (2014) it should be duly noted net income figure alone is not very helpful in finding the efficiency and performance of the business firm. It is related to some other figure such as sale, cost of goods sold, operating expenses, capital invested etc. Rakhi Sharma (2016) it involves in depth analysis of profitability of the company having regard to important aspects concerning the same. Comparative study of annul increase in sale and profitability is made to understand the grow of the company. It related some factors return on net worth, net profit, EBIDT ETC. Thomas a. Wilson (1992) corporations who participated in phase II of the project on profit

Impact of Market strategy(PIMS) cross sectional regression analyses indicate a statistically significate positive association between measures of corporate diversification and measurer of business profitability (return on investment or profit margin on sales).

Bezawada Brahmaiah, Ranajee the result indicates that profitability of bank in India is affected by both internal and external factors. Strength of equity capital, operational efficiency, ratio of banking sector deposits to the gross domestic product (GDP), had significantly positive effect on preforming assets (NPA) ratio and consumer price index (CPI) inflation have significantly negative influence on banks' profitability while bank size and ratio of priority loans to total loans do not have any influence on the profitability. Huiling you qigjun meng (2013) in this case, it's necessary for all enterprise to strengthen their core technical capacity, allocate resources reasonably and play a long term role in promoting profitability though research and development. K, s sujit, b, rajesh kumar (2011) firm while taking these decisions after ignore the interaction effect of these variables with other variable in affecting profitability. Hence, firm must take into consideration the interaction effects of R & d and advertisement intensities with other variables.

Lai soon lee (2013) numerical results are presented to multiple variants of a credit card product with the model providing the best offer for the best offer for the maximum profit and acceptance probability. The product chosen is a credit card with different interest rates' liquidity and risk variables on the explained variation of banks performance. mei zhang and jighua wen (2017) for measuring business performance and forecast its prospects play an important role. A mesure of profitability related indicators of king long motor company's profitability do a specific analysis to identify factors constraining the profitability of king long company. adwaita maiti (2017) the empirical results have found strong evidence that profit per employee, net interest margin net non-performing asset significant impacts on the profitability for all bank group. nousheen Tariq, Arshad Hasan (2012) the firm specific factors include debt to equity, tangibility, growth and size and macroeconomic factor include food inflation.

kolawole ogundari (2007) this positive and size of the profit obtained for each cocoa marketing institution is an indication that these institutions were able to recover their operating expense, hence post deregulation cocoa marketing era is profitable and efficient. tasneem khan (2011) the elements of determining the profitability of companies have warranted special attention over time the level of rising debt, increase concerns for liquidity and risks of impacted the revenue of manufacturing sectors companies. omid ahan (2013) it is showed that the premium of life insurance has a positive effect on the profitability of insurance companies but the non-life insurance has not had a significant effect on profitability. Muhammad sofiyuddin (2011) the result of profitability showed that all land uses, both on mineral soil and peat land were profitable. oil palm, both in large plantation smallholder gardens was the most profitable land use system.

3.1 Research gap

There literature reviews related to merger and acquisition company profitability analysis in this study. This analysed for profitability in the companies. To know the profitability performance in out of the companies.

- The few studies
- The few studies focus on only secondary data and some the study used both primary and secondary data.
- The few studies focus on the mean, standard deviation, co-efficient of variation and compound annual growth rate.
- The few studies there is efficient and profitability utilization of capital invested into the business
- The few studies focus on analysis of profitability of selected cement companies and hotel industry in India.
- The few studies focused on the relationship between markets liquidity and the real economy.

4. RESEARCH METHODOLOGY

Problem statement

Financial statement analysis involves gaining an understanding of an organizations financial situation by reviewing its financial report these analyses are frequently between the revenues and expenses listed on the income statement and the assets, liabilities, and equity accounts listed on the balance sheet.

Objective of study:

to mesure the profitability the profitability of JK and Vikranth

hypothesis

H0: there is no improvement in probability in post-acquisition

Research method

Descriptive method: this study used descriptive method. It is try to prove the reason for profitability of the company p

Collocation of data:

Primary data: primary data is collecting thorough interaction with managing director officer's staffs of the company.

Secondary data: the sources of secondary data gather from company financial report and annual reports and books and journals.

Financial tool

Gross profit: gross profit is a required income statement entry that reflects total revenue minus cost of goods sold. Gross profit is a company's profit before operating expenses, interest payments and taxes.

Net profit: referred to as the bottom line, net income or net profit is a measure of the profitability of a venture after accounting for all costs and taxes.

Return on capital employed: ROCE is a profitability ratio that measures how efficiently a company can generate profit from its capital employed by comparing net operating profit to capital employed.

Return on asset: is an indicator of how profitable a company is relative to its total asset. ROC gives a manager, investor, or analyst an idea as to how efferent a company's management is at using its assets to generate earnings.

Return on equity: is a mesure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholder's equity.

Operating profit: operating profit is the profit from a firm's core business operations, excluding deduction of interest and tax.

Statistical tool

T-test: is a type of inferential statistic used to determine if there is a significant difference between the means of two groups, which may be related in certain features.

Mean: you can also find related words, phrases, and synonyms in the topics expression of anger.

Median: is the middle value in the list of numbers.

Co-variance: is a mesure of the directional relationship between the return on two risky assets.

Table- 4.1

Profitability Ratios	2014	2015	2016	2017	2018
PBDIT Margin (%)	11.62	12.83	16.53	15.57	10.67
PBIT Margin (%)	9.28	10.69	13.4	11.78	7.05
PBT Margin (%)	4.89	6.57	9.56	6.96	1.29
Net Profit Margin (%)	3.34	4.38	6.62	4.93	0.76
Return on Net worth/Equity (%)	23.97	23.53	26.68	19.1	3.36
Return on Capital Employed (%)	8.72	9.06	11.06	5.71	1.08
Return on Assets (%)	4.35	4.77	6.6	3.59	0.62
Total Debt/Equity (X)	2.28	1.93	1.52	2.74	2.54
Asset Turnover Ratio (%)	126.63	106.95	97.45	73.68	78.27

Source: money control data based –author calculation

Interpretation

In this ratio analysis PBDIT margin in the year 2016 is high compared to 5 years and low in the year 2018.in the PBIT margin there is negative value in the year 2018 and compared to the 5 years in 2016 is high. In PBT margin is decrease in the year 2018 due to more expenses and operating expenses and increases in the year 2016 for the purpose of getting a tax benefits. In net profit margin ratio is low in the year 2018 due to down pressure on sale prices such as discounts due to competition and high in the year 2016 for the purpose of efficient management and valuation of stock. In return on net worth/ equity ratio is low in the year 2018due less efficient deployment of equity resources and in 2016 is high compare ton 5 years because of to decline in value of shareholder's equity. Return on capital employed ratio is decrease in the year 2018 and 2016 for the purpose of in efficiency of the management and failed to make an optimum utilization of the capital fund. In return on assets is low in the year 2018 due to lower asset productivity and wastage and compare to other year in 2016 is high because of better utilization of the company assets. The debt/equity is less in the year 2015 and 2017 due to the company settlement of financial obligation and in 2018 is higher because of additional investment and collection of receivables. In the asset turnover ratio it is low in the year2017 due to in efficient in its use of its assets and high in the year 2014 use a more capital intensive approach.

Table – 4.2

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
PBDITM	5	13.444	2.522	1.128
PBITM	5	10.44	2.422	1.083
PBTM	5	5.854	3.051	1.364
NPM	5	4.006	2.168	0.970
ROE	5	19.328	9.331	4.173
ROCE	5	7.126	3.883	1.737
ROA	5	3.986	2.183	0.976
DER	5	2.202	0.487	0.218
TATOR	5	96.596	21.627	9.672

Sources: SPSS-author calculation

Table – 4.3

One-Sample Test						
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
PBDITM	11.92	4	0.000	13.444	10.312	16.576
PBITM	9.64	4	0.001	10.440	7.433	13.447
PBTM	4.29	4	0.013	5.854	2.066	9.642
NPM	4.13	4	0.014	4.006	1.314	6.698
ROE	4.63	4	0.010	19.328	7.742	30.914
ROCE	4.10	4	0.015	7.126	2.304	11.948
ROA	4.08	4	0.015	3.986	1.275	6.697
DER	10.11	4	0.001	2.202	1.597	2.807
TATOR	9.99	4	0.001	96.596	69.742	123.450

Sources: SPSS-author calculation

Findings

- The study of comparative, trend and common size analysis is also very good and profitability position in the jk tyres ltd, at during the year of 2014-2018
- The net profit ratio shows that jk tyres ltd is in a favourable position.
- The liquidity position of jk tyres ltd is satisfactory.
- the fixed asset to net worth ratio shows that the owners funds are more than the total fixed asset.

4. SUGGESTION

- proper control over various expenses may increase the profit generation of a company.
- To purchase raw material at lower cost will reduce the cost of material.
- In order to overcome the expenses, the firm may reduce the operating expenses. Labour cost, material cost and other overhead are reducing so as to improve the profitability of the company.
- The company can reduce the cost of production and try to improve its profitability.

5. CONCLUSION

The management of the organisation is very keen in introducing sophisticated technology to upgrade of the quality of the product. It has proper plan for future development. For conducting the project work the authorities of the company has given its full support and better co-operation.it helps to conduct the study in an easy way and to reveal its performance. The company has got a reputation among its customers.

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