

## PROFITABILITY ANALYSIS OF SELECTED NEWSPAPER COMPANIES IN GUJARAT STATE

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### ABSTRACT

The company's primary goal is profit, which is defined as the difference between sales and costs. All parties involved in the firm keep a close watch on profit, which is the most significant aspect of its financial success. One method for determining financial performance is ratio analysis. This study examines profitability analysis with a focus on a few Indian Newspaper companies. The Present study is based on totally secondary data, which is collected from annual reports of selected newspaper Companies in Gujarat state from the period of 2016-17 to 2020-21. The main objective of this study is to examine the profitability analysis of selected newspaper companies in Gujarat state. In this study, the researcher used various ratios of profitability to achieve our objective of the study. The analysis of variance (ANOVA) has been used for analysing the collected data. There is a significant difference between the profitability ratios of selected newspaper companies in Gujarat state.

**KEYWORDS:** Profitability Ratios, ANOVA, Newspaper Companies.

### INTRODUCTION

The world's second-largest newspaper market is found in India. It is expanding by ten times. In India, the newspaper industry is among the most reliable and lucrative sectors of the economy. The most important element influencing the effectiveness of newspaper sales and distribution is newspaper agency. They serve as the intermediary between readers and publishers. Many newspaper agents throughout the country have been delivering newspapers to readers every morning. A consumer could select a newspaper for several reasons. However, the primary responsibility of newspaper agents is to inform customers that they are a provider of newspapers and may offer whatever feature they may want. Newspaper agencies as a commercial sector grew rapidly in tandem with the expansion of the newspaper industry. A newspaper's distribution network or newspaper agents have a major role in determining its readership and popularity. Although the newspaper agency plays a significant role in the industry's busy schedule, their current state is not particularly appealing. These days, newspaper agencies face a few difficulties.

### REVIEW OF LITERATURE:

**Aartigarg (2015)**, "Profitability Analysis of FMCG Sector", The aim of the study was to compare the profitability of companies chosen using ratio analysis and ANOVA and to find that while the profitability of Britannia and Godrej was unsatisfactory in some areas, that of Dabur, Colgate Palmolive, and Marico was satisfactory in others. As a result, businesses ought to work harder to achieve increased productivity and best use of their resources. Long-term profitability supports the company's capacity to develop steadily.

**Khan and Singhal (2015)** studied "Growth and

Profitability of Selected IT Companies" which focused on the performance of selected IT companies. This study has selected the time of 5 years from 2010-2014. The ANOVA technique was used to examine the significant difference between companies and years. In conclusion, this paper studied that the HCL technology has shown performance of high quality in the case of operating and net profit ratio when we compare them to other companies.

**Neha Mittal (2018)** studies the determination of capital structure choice of the selected Indian industries. The main objective is to investigate whether and to what extent the main structure theories can explain the capital structure choice of Indian firms. It has applied multiple regression models on the selected industries by taking data for the period 2009-2017. It examines the relevance of capital structure in selected Indian industries based on regression analysis and data study. It concludes that the main variables determining the capital structure of industries in India are agency cost, asset structure, non-debt tax shield and size. The coefficients of these variables are significant at one per cent and five per cent levels.

**Maisuria and Allad (2016)** "Profitability Ratio Analysis of Selected Indian IT Companies" spanning from 2010-11 to 2014-15 revealed that the enterprises' profitability varied. However, Oracle Financial Services' earnings per share and net profit ratios were adequate, but its return and net worth ratio on capital employed were not. This study paper's result indicated that Tech Mahindra had the lowest performance and Tata Consultancy Services was the top-performing organisation.

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**SCOPE OF THE STUDY**

The scope or area of the study includes the analysis of the profitability of selected newspaper Companies in Gujarat state for the period of 2016-17 to 2020-21.

**OBJECTIVES OF THE STUDY:**

The major objective and study analyse the profitability position of the selected newspaper Companies in Gujarat state. The following are the specific objectives of the study:

1. To analyse the gross profit ratio of selected newspaper Companies in Gujarat state.
2. To analyse the net profit ratio of selected newspaper Companies in Gujarat state.
3. To analyse the operating profit ratio of selected newspaper Companies in Gujarat state.
4. To offer suggestions for improving the performance of selected newspaper Companies in Gujarat state.

**RESEARCH METHODOLOGY**

**Data Collection**

The study is based on secondary data that has been collected from annual reports of the selected newspaper Companies in Gujarat state. The study covers 05 years, i.e., from 2016-17 to 2020-2021.

**Research Design**

The research project de notes the overall strategy that you choose to assimilate the different mechanisms of the study in a coherent and logical way, thereby, guaranteeing you will effectively address the research problem, and establish the blueprint for the collection, measurement, and analysis of data.

**Sources of Information**

Data required for the study has been collected from the annual reports of Gujarat Samachar, Sandesh, and Divya Bhaskar newspaper companies' official websites.

**Tools Used**

In this study, various statistical tools (i.e.) ratio analysis, average and Analysis Of Variance (ANOVA) were used for data analysis.

**HYPOTHESES OF THE STUDY:**

H0: There is no significant difference between the gross profit ratio among the selected newspaper Companies in Gujarat state.

H1: There is a significant difference between the gross profit ratio among the selected newspaper Companies in Gujarat state.

H0: There is no significant difference between the net profit ratio among the selected newspaper Companies in Gujarat state.

H1: There is a significant difference between the net profit ratio among the selected newspaper Companies in Gujarat state.

H0: There is no significant difference between the operating profit ratio among the selected newspaper Companies in Gujarat state.

H1: There is a significant difference between the operating profit ratio among the selected newspaper Companies in Gujarat state.

**DATA ANALYSIS AND INTERPRETATION:**

**1. Gross Profit Ratio (G.P. RATIO)** GROSS PROFIT RATIO =  $\frac{GROSS PROFIT}{NET SALES} \times 100$

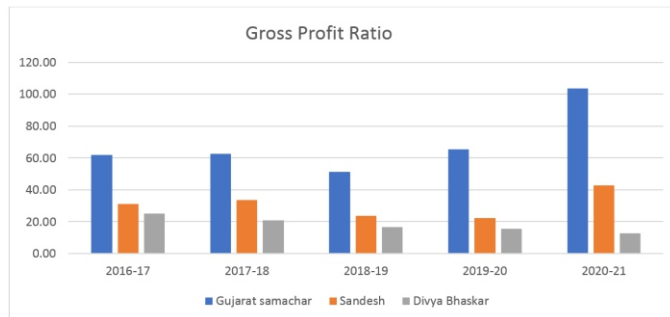
This ratio measures the margin of profit available on sales. The higher the gross profit ratio, the better it is. No ideal standard is fixed for this ratio; but the gross profit ratio should be adequate not only to cover the operating expenses but also to provide for

depreciation, interest on loans, dividends, and the creation of reserves.

$$GROSS PROFIT RATIO = \frac{GROSS PROFIT}{NET SALES} \times 100$$

Years	Gujarat Samachar	Sandesh	Divya Bhaskar	TOTAL
2016-17	62.09	31.01	25.04	118.14
2017-18	62.72	33.52	20.98	117.21
2018-19	51.15	23.68	16.80	91.63
2019-20	65.62	22.41	15.66	103.69
2020-21	103.64	42.83	12.82	159.29
<b>TOTAL</b>	<b>345.22</b>	<b>153.45</b>	<b>91.29</b>	<b>589.96</b>
<b>AVG</b>	<b>69.04</b>	<b>30.69</b>	<b>18.26</b>	

**Table 1: Gross Profit Ratio**



**Figure 1: Gross Profit Ratio**

The above table shows the gross profit ratio of selected newspaper Companies in Gujarat state and shows the fluctuating trend during the study period. The gross profit ratio of Gujarat Samachar company was 103.64 in 2020-21 to 51.15 in 2018-19. The average gross profit ratio of Gujarat Samachar company was 69.04. The gross profit ratio of Sandesh newspaper company showed a fluctuating trend after 2016-17. The average ratio of the Sandesh newspaper company was 30.69. The gross profit ratio of Divya Bhaskar newspaper company shows a declining trend during the study period. The gross profit ratio of the Divya Bhaskar newspaper company ranged from 25.04 in 2016-17 to 12.82 in 2020-21. After the year 2016-17, the ratio went to a declining trend. The average ratio of Divya Bhaskar newspaper company was 18.26.

**ANOVA Test for Gross Profit Margin Ratio**

ANOVA for Gross Profit Ratio						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	7008.04	2	3504.02	21.21	0.00	3.89
Within Groups	1982.31	12	165.19			
<b>Total</b>	<b>8990.35</b>	<b>14</b>				

The analysis showed a significant result. It can be seen from the table, that the calculated value of F was found as 21.21, while the table value of F was 3.88. At 5% level of significance. The calculated value of F, being more than the table value of F, the Null Hypothesis stood accepted and the Alternate hypothesis is failed to be accepted at a 5% level of significance. So, it proves that There is no significant difference between the gross profit ratio among the selected newspaper Companies in Gujarat state.

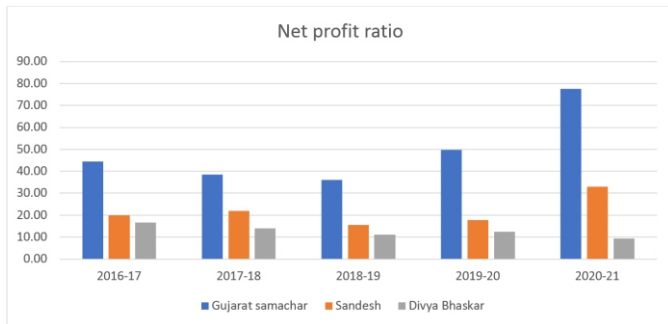
**2. Net Profit Ratio (N.P. RATIO)**

Net Profit Ratio, often known as the Net Profit Margin Ratio, is a profitability ratio that calculates the difference between the total amount of money received by the firm and its earnings. Stated differently, the connection between a business's net profit after taxes and net sales is represented by the net profit margin ratio.

$$NET PROFIT RATIO = \frac{NET PROFIT}{NET SALES} \times 100$$

Years	Gujarat Samachar	Sandesh	Divya Bhaskar	TOTAL
2016-17	44.54	19.99	16.60	81.12
2017-18	38.61	21.95	13.91	74.47
2018-19	36.04	15.47	11.12	62.62
2019-20	49.70	17.80	12.37	79.87
2020-21	77.64	32.87	9.38	119.89
<b>TOTAL</b>	<b>246.52</b>	<b>108.09</b>	<b>63.37</b>	<b>417.98</b>
<b>AVG</b>	<b>49.30</b>	<b>21.62</b>	<b>12.67</b>	

**Table 2: Net Profit Ratio**



**Figure 2: Net Profit Ratio**

The above table shows the net profit ratio of selected newspaper Companies in Gujarat state and shows the fluctuating trend during the study period. The net profit ratio of Gujarat Samachar company was 77.64 in 2020-21 to 36.04 in 2018-19. The average net profit ratio of Gujarat Samachar company was 49.30. The net profit ratio of Sandesh newspaper company showed a fluctuating trend after 2016-17. The average ratio of the Sandesh newspaper company was 21.62. The net profit ratio of Divya Bhaskar newspaper company shows a declining trend during the study period. The net profit ratio of the Divya Bhaskar newspaper company ranged from 16.60 in 2016-17 to 9.38 in 2020-21. After the year 2016-17, the ratio went to a declining trend. The average ratio of Divya Bhaskar newspaper company was 12.67.

**ANOVA Test for Net Profit Margin Ratio**

ANOVA for Gross Profit Ratio						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3646.85	2	1823.42	16.47	0.00	3.89
Within Groups	1328.17	12	110.68			
Total	4975.02	14				

The analysis showed a significant result. It can be seen from the table, that the calculated value of F was found as 16.47, while the table value of F was 3.89. At 5% level of significance. The calculated value of F, being more than the table value of F, the Null Hypothesis stood accepted and the Alternate hypothesis is failed to be accepted at a 5% level of significance. So, it proves that There is no significant difference between the net profit ratio among the selected newspaper Companies in Gujarat state.

**3. Operating Profit Ratio (O.P. RATIO)**

Operating Profit Ratio is known as the ratio that establishes the connection between operational profit and net sales. Earnings before interest and taxes (EBIT) is another term for operating profit, while net sales are another term for the money received from operations.

Operating profit ratio is calculated by dividing the operating profit with the net sales. The formula for calculating operating profit can be represented as follows:

$$OPERATING PROFIT RATIO = \frac{OPERATING PROFIT}{NET SALES} \times 100$$

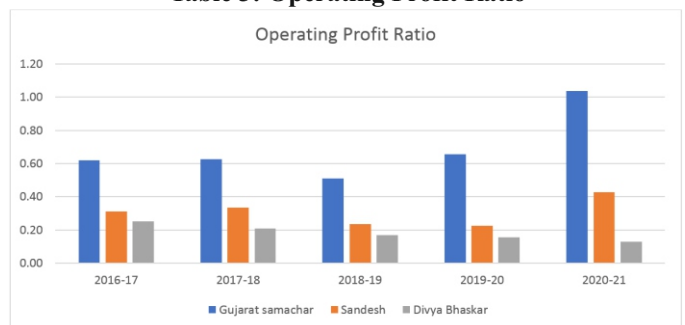
Where, Operating profit = Net profit + non-operating expenses – non-operating incomes

or

Operating profit = Net sales – (Cost of goods sold + Administrative and office expenses + Selling and distribution exp.)

Years	Gujarat Samachar	Sandesh	Divya Bhaskar	TOTAL
2016-17	0.62	0.31	0.25	1.18
2017-18	0.63	0.34	0.21	1.17
2018-19	0.51	0.24	0.17	0.92
2019-20	0.66	0.22	0.16	1.04
2020-21	1.04	0.43	0.13	1.59
<b>TOTAL</b>	<b>3.45</b>	<b>1.53</b>	<b>0.91</b>	<b>5.90</b>
<b>AVG</b>	<b>0.69</b>	<b>0.31</b>	<b>0.18</b>	

**Table 3: Operating Profit Ratio**



**Figure 3: Operating Profit Ratio**

The above table shows the operating profit ratio of selected newspaper Companies in Gujarat state and shows the fluctuating trend during the study period. The operating profit ratio of Gujarat Samachar company was 1.04 in 2020-21 to 0.51 in 2018-19. The average operating profit ratio of Gujarat Samachar company was 0.69. The operating profit ratio of Sandesh newspaper company showed a fluctuating trend after 2016-17. The average ratio of the Sandesh newspaper company was 0.31. The operating profit ratio of Divya Bhaskar newspaper company shows a declining trend during the study period. The operating profit ratio of the Divya Bhaskar newspaper company ranged from 0.25 in 2016-17 to 0.13 in 2020-21. After the year 2016-17, the ratio went to a declining trend. The average ratio of Divya Bhaskar newspaper company was 0.18.

**ANOVA Test for Operating Profit Margin Ratio**

ANOVA for Gross Profit Ratio						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.70	2	0.35	21.21	0.00	3.89
Within Groups	0.20	12	0.02			
Total	0.90	14				

The analysis showed a significant result. It can be seen from the table, that the calculated value of F was found as 21.21, while the table value of F was 3.89. At 5% level of significance. The calculated value of F, being more than the table value of F, the Null Hypothesis stood accepted and the Alternate hypothesis is failed to be accepted at a 5% level of significance. So, it proves that There is no significant difference between the operating profit ratio among the selected newspaper Companies in Gujarat state.

**FINDINGS AND SUGGESTIONS OF THE STUDY:**

- Gross profit margin for the study period is not satisfactory. The company has not been controlling overhead cost to generate good gross profit.
- The net profit has been increasing every year. Hence, the net profit ratios for the study periods are satisfactory level.

- The company should take steps to minimize operating expenses to increase the gross profit or operating profit. The operating expenses are very high.
- The operating profit ratios of the company are decreasing trend. The ratios are decreasing year by year. Hence it has been maintaining good operating profit ratio.

#### **LIMITATIONS OF THE STUDY:**

1. The main source of secondary data for this study is the yearly reports of particular units. The findings and dependability are dependent on the information provided in the yearly report.
2. The study's time frame is restricted to the years 2016–17 through 2020–21.
3. There are several methods for assessing profitability studies. Experts do not have any common opinions.
4. The analysis was subject to the limitations inherent in accounting ratios.
5. The study's findings are merely suggestive and not definitive because it is solely focused on the top three newspaper firms in the state of Gujarat.

#### **CONCLUSION:**

This study states a study on profitability position of selected newspaper companies for a period of five years from 2016-17 to 2020-21. The result of the study says that the selected newspaper Companies in Gujarat state is facing a decline in growth due to various factors such as economic uncertainty, rising costs, and changing consumer preferences. To overcome this decline, selected newspaper Companies in Gujarat state should focus on improving their profitability by increasing revenue, reducing costs, and improving their asset utilization. The recent trend in the selected newspaper Companies in Gujarat state is towards electrification and sustainability. Companies should focus on investing in these areas to stay relevant and competitive in the market. Additionally, companies should focus on improving their digital capabilities to meet the changing needs of consumers who are increasingly using digital channels to research, purchase, and interact with selected newspaper Companies in Gujarat state.

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