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Assessing profitability trends: A comparative study of selected tea companies in Assam

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Abstract
The tea industry in Assam is one of the oldest and most important sources of income for the state. Its roots go back to the time of the British. Over the years, it has grown into a major business sector that employs a lot of people and is very important to the growth of Assam's economy. Profit is the most important sign of success in any field. It is important for a business to survive, grow, modernize, and last for a long time. Profit allows businesses to meet the needs of different groups of people. Investors want a good return on their money, employees want fair pay and benefits, and creditors want financial stability and security.

The tea industry in Assam is labor-intensive and socially embedded, which means it has many responsibilities, such as taking care of workers, improving the community, and protecting the environment. So, profitability is an important way to measure how well tea companies are doing overall and how healthy their finances are. The performance of a business has a direct effect on many people, including shareholders, directors, employees, customers, and suppliers. There are many things that affect this performance, such as the size of the company, how much it can grow and produce, how far it can reach in the market, its cost structure, how well its managers work, and how the economy is doing outside of the company. Financial ratios are very useful for analyzing this kind of performance. Profitability ratios are especially important because they show how well a business uses its resources to make money. These ratios help figure out if a business can keep running, pay its bills, reward its stakeholders, and grow in the future.

The researchers have chosen Goodricke Group Ltd. and Bengal Tea and Fabrics Ltd. as sample units for this study. The choice is based on how easy it is for the researchers and how easy it is to get the financial data they need. A comparison of these companies will show how their profits and overall performance in Assam's tea industry have changed over time.

Keywords: Companies performance, overall efficiency, profitability ratio and financial ratio

Introduction
Tea Industry of Assam is one of the oldest industries for revenue generation in Assam since British Regime. Profit is the key factor for any successful industry. The primary objective of a business undertaking is to earn profits. Profit earning is considered essential for the survival of the business. A Business Industry needs profits not only for its existence but also for expansion and diversification. The investor wants adequate return on their investments, workers want higher wages, creditors want higher security for interest and so on. Tea Industry has different obligations not only for the employee welfare but also to the various segments of the society. Therefore, profit plays a crucial factor and measure the overall efficiency of a business. Companies' performance affects many stakeholders like shareholders, directors, employees and customers etc. there are many factors that affect this performance which depends upon the size of the company, area, customers and other factors. Financial ratios are useful indicators to measure a company's performance and financial situations.

Review of Literature: Ramanuj Jaydeep and Memon Salina (2023) conducted a study titled *"Liquidity and Profitability Analysis of the Selected Automobile Companies of India"*, focusing on the interrelationship between liquidity and profitability among three major Indian automobile firms. Their findings revealed that Mahindra and Mahindra Ltd. exhibited superior liquidity performance compared to Maruti Suzuki India Ltd. and Tata Motors Ltd., while Maruti Suzuki outperformed the others in profitability.

However, regression results indicated *no statistically significant relationship* between liquidity and profitability, leading to the conclusion that profitability is not influenced by liquidity levels within these selected firms.

Bharti and Singh (2014) [1] evaluated the financial performance of public, private, and foreign banks in India. Their study revealed that public sector banks experienced a decline in liquidity and profitability over time, whereas private and foreign banks demonstrated improvement in both measures. Although foreign banks recorded the highest average financial ratios, they showed the least stability and consistency compared to public sector banks, which exhibited the most stable performance across the period.

Ehiedu (2014) [2] analyzed the impact of liquidity-measured through the current ratio and acid test ratio-on profitability, represented by return on assets (ROA), across selected companies. The study found a significant positive relationship between the current ratio and ROA, indicating that adequate liquidity enhances profitability. However, the acid test ratio did not show a meaningful correlation with profitability, and the relationship between return on capital employed and ROA was also found to be insignificant.

Khan *et al*. (2016) [3] assessed the liquidity and profitability of selected telecom companies and observed that Vodafone outperformed Bharti Airtel in terms of return on assets and return on equity, indicating higher profitability and operational efficiency. The study concluded that notable disparities exist in liquidity and profitability performance between the two firms, underscoring differences in their financial and operational management.

Madushanka and Jathurika (2018) [4] examined the relationship between liquidity and profitability among 15 manufacturing companies listed on the Colombo Stock Exchange between 2012 and 2016. Using descriptive, correlation, and regression analyses, they found that liquidity-particularly the quick ratio-had a positive and statistically significant impact on profitability. The authors recommended that Sri Lankan manufacturing firms prioritize managing liquidity effectively to enhance profitability outcomes.

Sreegeetha and Revathi (2022) [5] analyzed the liquidity position of selected electrical machinery companies in India. Their findings indicated that the firms were not efficiently utilizing their resources to enhance profitability through increased sales revenue and cost reduction. They suggested improving productivity, managing wage expenses, enhancing product quality, and strengthening customer service. Additionally, they recommended increasing the current ratio and boosting current assets, particularly through shareholder funds, to improve overall profitability and operational efficiency.

Tripathi (2020) [6] evaluated the effects of mergers and acquisitions (M&As) in the FMCG sector in India. The results revealed that M&As positively influenced the productivity of acquiring firms and improved financial metrics such as return on capital employed and return on net worth. However, no significant positive impact was found on operating total revenue or net profit margin. Overall, the study concluded that M&As tend to produce long-term positive effects on the performance of Indian FMCG companies.

Research Gap

Numerous studies have investigated the correlation between liquidity and profitability across various sectors, including the automobile, banking, telecommunications, manufacturing, and electrical machinery industries. However, the current literature yields inconsistent and frequently contradictory findings. Certain studies identify a substantial positive correlation between liquidity and profitability (e.g., Ehiedu, 2014; Madushanka & Jathurika, 2018) [2, 4], whereas others indicate no significant relationship. Additionally, these studies are very specific to certain sectors and not very broad, with few comparisons between industries and little attention paid to new or region-specific industries, like Assam's tea industry or other traditional manufacturing industries in India. Most studies use basic liquidity and profitability ratios without looking at other financial indicators or taking into account macroeconomic, operational efficiency, or firm-specific factors that could affect this relationship. Consequently, there is a notable research deficiency in delivering a thorough, multi-faceted examination of liquidity-profitability dynamics across various industries and temporal contexts, especially in under-researched sectors where financial trends may vary due to structural, managerial, or market-specific attributes.

Objective of the Study

The objective of the study is to know the profitability position of the sampled tea companies.

Hypotheses

- **H_1:** There is significant difference between Net Profit Ratio of Bengal Tea & Fabric Ltd. and Goodricke Group Ltd.
- **H_1:** There is significant difference between Earning Per Share of Bengal Tea & Fabric Ltd. and Goodricke Group Ltd.
- **H_1:** There is significant difference between Return on Investment of Bengal Tea & Fabric Ltd. and Goodricke Group Ltd.

Rationale of the Study

The current study holds considerable significance for stakeholders in Assam's tea industry, one of the state's most crucial and historically significant economic sectors. The study examines the profitability of two major tea companies, Bengal Tea & Fabrics Ltd. and Goodricke Group Ltd. It gives useful information about their financial efficiency, long-term viability, and sustainability. Net Profit Ratio, Earnings per Share, and Return on Investment are all important measures of how well these companies use their resources to make money. Managers who want to make better operational decisions, investors who want to weigh risk and return, policymakers who want to keep an eye on the health of the tea sector, and employees whose jobs depend on the stability of these companies all need to understand these financial patterns. The study also helps find structural gaps, performance changes, and areas that need strategic intervention. This adds to the larger conversation about how to improve Assam's tea economy and give its plantation companies a competitive edge.

Research Methodology

The present study is descriptive and analytical in nature devoted towards assessing the profitability trends of Sampled Tea industries in Assam.

The researchers have selected Goodricke Group Ltd. And Bengal Tea and Fabrics Ltd. as per own convenience. Camellia Plc. U.K., a multinational conglomerate with operations in tea, food distribution and storage, horticulture and agriculture, and investments, is the parent company of Goodricke Group Ltd. They are the India's second-largest tea producer, with over 140 years of experience. They operate 29 tea gardens and 29 manufacturing plants in the Himalayan foothills of Darjeeling, Assam, and Dooars. In the production of tea, they use the most advanced technologies and uphold global standards. With strong core values that strive for a sustainable business, most of their manufacturing facilities run in accordance with ISO standards. In addition to contributing to the socioeconomic advancement of human resources, their gardens hold numerous certifications for environmentally friendly operations and moral work practices. Additionally, Ananda Tea Estate is certified by Emirates International Accreditation Center, Member of Multilateral Recognition Arrangement (IAF), Trustea Certificate for Sustainable Tea in India, ISO 9001:2015 for Quality Management System Standard, ISO 22000: 2018 for Food Safety Management System Standard, and HACCP Certification for Hazard Analysis and Critical Control Point Standard by KVQA Certification Services Pvt. Ltd. The data used for the study have been collected through secondary sources. To measure the profitability of the selected company the researcher used, Net Profit Ratio, Return on Investment and Earning per Share as a parameter. Researcher used t-test as a statistical measure for profitability analysis. The period of study that is considered for the study is seven years i.e. 2017 to 2025.

Analysis and Discussion

Net Profit Ratio establishes a relationship between net profit after tax and Net revenue from operation (net Sales).

$$\text{Net Profit Ratio: } \frac{\text{Net Profit After Tax}}{\text{Net Revenue from Operation}} \text{ x } 100$$

Table 1: Calculation of Net Profit Ratio

Years	Bengal Tea & Fabric Ltd.	Goodricke Group Ltd.
2017	(4.49%)	4.87%
2018	(6.88%)	4.34%
2019	1.27%	1.20%
2020	2.06%	1.06%
2021	3.75%	2.19%
2022	33.16%	0.64%
2023	0.49%	(0.03%)
2024	(59.90%)	(8.41)
2025	55.63%	2.16

Source: Self Computation of Result from Annual reports

Table No. 2: Calculation of t-Test

H_1: There is significant difference between Net Profit Ratio of Bengal Tea & Fabric Ltd. and Goodricke Group Ltd.

Table 2: Calculation of t-Test

Year	X_1(Bengol Tea)	X_2(Goodricke Group Ltd.)	$d(X_1-X_2)$	$d^2(X_1-X_2)^2$
2017	(4.49)	4.87	(9.36)	87.610
2018	(6.88)	4.34	(11.14)	124.100
2019	1.27	1.20	0.07	0.005
2020	2.06	1.06	1.00	1.00
2021	3.75	2.19	1.56	0.024
2022	33.16	0.64	32.52	1057.550
2023	0.49	(0.03)	0.52	0.270
2024	(59.90)	(8.41)	(51.49)	2651.220
2025	55.63	2.16	53.47	2859.040
			$\sum d$=17.15	$\sum d^2$=6780.819

Source: Self Computation of Result from Annual reports

$$\bar{d} = \frac{\sum d}{n} = \frac{17.15}{9} = 1.90$$

$$\text{Therefore S} = \sqrt{\frac{\sum d2-n(\bar{d})}{n-1}} = \sqrt{\frac{6780.819-9(1.90)^2}{9-1}} = \sqrt{845.46} = 29.08$$

$$\text{Test Statistic t} = \frac{\bar{d}}{s/\sqrt{n}} = \frac{1.90}{29.08/\sqrt{9}} = \frac{1.90}{10.31} = 0.182$$

Degree of Freedom n-1= 9-1= 8

Tabulated value of t for 8 degrees of freedom at 5% level of significance is 1.860. Since the calculated value of t 0.182 < tabulated value, 1.860, we accept the null hypothesis at 5% level of significance and conclude that there is no significance difference between Net Profit Ratio of Bengal Tea & Fabric Ltd. And Goodricke Group Ltd. And hence we reject the alternative hypothesis H_1

Earnings Per Share measure the relationship between Net profit After Tax & Preference Dividend and No of Equity Shares

$$\text{EPS: } \frac{\text{Net Profit After Tax} - \text{Preference Dividened}}{\text{No of Equity Shares}}$$

Table 3: Computation of Earnings Per Share

Years	Bengal Tea & Fabric Ltd.	Goodricke Group Ltd.
2017	(6.45%)	15.34%
2018	(5.57%)	14.69%
2019	4.39%	4.33%
2020	7.56%	5.56%
2021	3.69%	9.04%
2022	20.31%	2.44%
2023	0.25%	(0.15%)
2024	(2.89%)	(32.08%)
2025	(1.85%)	9.29%

Source: Self Computation of Result from Annual reports

Return on Investment measure the relationship between Net Profit After Tax and Shareholders Funds.

$$\text{ROI: } \frac{\text{Net Profit After Tax}}{\text{Shareholders Fund}} \text{x}100$$

Table No. 4: Calculation of t-Test

H_1There is significant difference between Earning Per Share of Bengal Tea & Fabric Ltd. and Goodricke Group Ltd.

Table 4: Calculation of t-Test

Year	X_1(Bengol Tea)	X_2(Goodricke Group Ltd.)	$d(X_1-X_2)$	$d^2(X_1-X_2)^2$
2017	(6.45)	15.4	(21.79)	474.804
2018	(5.57)	14.69	(20.26)	410.468
2019	4.39	4.33	0.06	0.004
2020	7.56	5.56	2.00	4.000
2021	3.69	9.04	(5.35)	28.623
2022	20.31	2.44	17.87	319.337
2023	0.25	0.15	0.40	0.160
2024	(2.89)	32.08	29.19	852.056
2025	(1.85)	9.29	11.14	124.010
			∑d=13.26	$\sum d^2$=2213.462

Source: Self Computation of Result from Annual reports

$$\bar{d}=\frac{\sum d}{n}=\frac{13.26}{9}=1.473$$

$$S=\sqrt{\frac{\sum d2-n(\bar{d})}{n-1}}=\sqrt{\frac{2213.462-9(1.473)^2}{9-1}}=\sqrt{\frac{219.934}{8}}=16.560$$

$$t=\frac{\bar{d}}{s/\sqrt{n}}=\frac{1.473}{16.560/\sqrt{9}}=\frac{1.473}{16.560/3}=\frac{1.473}{5.52}=0.267$$

Degree of Freedom n-1= 9-1= 8

Tabulated value of t for 8 degrees of freedom at 5% level of significance is 1.860. Since the calculated value of t 0.267 < tabulated value, 1.860, we accept the null hypothesis at 5% level of significance and hence we reject the alternative hypothesis $H_{1.}$ And conclude that there is no significance difference between Earning Per Share of Bengal Tea & Fabric Ltd. And Goodricke Group Ltd.

Table 5: Computation Return on Investment

Years	Bengal Tea & Fabric Ltd.	Goodricke Group Ltd.
2017	(4.49%)	11.42%
2018	(5.18%)	10.33%
2019	3.09%	3.10%
2020	5.42%	3.52%
2021	3.42%	6.12%
2022	15.90%	1.64%
2023	0.20%	(0.10%)
2024	(3.07%)	(7.96%)
2025	43.66%	1.51%

Source: Self Computation of Result from Annual reports

Table No. 6: Calculation of t-Test

H_1: There is significant difference between Return on Investment of Bengal Tea & Fabric Ltd. and Goodricke Group Ltd.

Table 6: Calculation of t-Test

Year	X_1	X_2	$d(X_1-X_2)$	$d^2(X_1-X_2)^2$
2017	(4.49)	11.42	(15.91)	253.13
2018	(5.18)	10.33	(15.51)	240.56
2019	3.09	3.10	(0.01)	0.0001
2020	5.42	3.52	1.9	3.610
2021	3.42	6.12	(2.7)	7.290
2022	15.90	1.64	14.26	203.35
2023	0.20	0.10	0.10	0.01
2024	(3.07)	(7.96)	4.89	23.91
2025	43.66	1.51	42.15	1776.62
			∑d=29.27	$\sum d^2$=2,508.481

Source: Self Computation of Result from Annual reports

$$\bar{d}=\frac{\sum d}{n}=\frac{29.27}{9}=3.241$$

$$S=\frac{\sqrt{\sum d2-n(\bar{d})}}{n-1}=17.37$$

$$\text{Therefore, t-Test is } t=\frac{\bar{d}}{s/\sqrt{n}}=\frac{3.241}{5.79}=0.560$$

Degree of Freedom = n-1 = 9-1 = 8

The tabulated or critical value of t at 5% level of significance for 8 d.f. is 1.860. Since the calculated value is less than the tabulated value, the researcher accepts the null hypothesis at 5% level of significance and hence we reject the alternative hypothesis $H_{1.}$ And conclude that there is no significance difference between Return on Investment of Bengal Tea & Fabric Ltd. And Goodricke Group Ltd.

Conclusion

The analysis of profitability ratios from 2017 to 2025 indicates significant disparities in the financial performance of the selected tea companies. Goodricke Group Ltd. consistently shows better profitability indicators than Bengal Tea & Fabrics Ltd., especially when it comes to Earnings per Share, Return on Investment, and Net Profit Ratio. Bengal Tea & Fabrics Ltd. has had negative profitability values on several occasions, which shows that the company is in financial trouble and needs to make major strategic and operational changes to stay in business for a long time. The t-tests, on the other hand, show that there is no statistically significant difference between the two companies in terms of Net Profit Ratio, Earnings per Share, and Return on Investment. This means that even though there are differences in the numbers, they aren't strong enough to say that one company's financial performance is significantly different from the other company's during the time period studied. The study shows that Bengal Tea & Fabrics Ltd. needs to improve its cost management, operational efficiency, and revenue strategies to avoid a possible long-term decline. For both companies, keeping an eye on profitability metrics is still very important for making their finances more stable, boosting stakeholder confidence, and making sure they can stay in business in Assam's tea industry, which is becoming more competitive all the time.

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