

A Financial Study on Profit Margin and Working Capital Optimization at A Cooker Company

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Abstract-- The research focuses on assessing the company's financial position from 2021 to 2025, with particular attention to profitability, liquidity, and working capital efficiency. Financial analyses both ratio and trend-based were conducted to evaluate gross profit margin, operating profit margin, net profit margin, and working capital turnover. The results show that although the company has maintained steady operational efficiency, profit margins have gradually declined due to rising input costs and intense market competition. Variations in working capital turnover highlight challenges in managing short-term liquidity. The study concludes by suggesting measures to enhance financial efficiency through improved cost control, better receivable management, and the adoption of technology-driven financial practices.

I. INTRODUCTION

In today's dynamic business environment, financial performance stands as a key measure of an organization's sustainability, profitability, and operational effectiveness. It demonstrates how efficiently a company can generate profits from its resources while maintaining liquidity and managing financial risks. Finance, often seen as the backbone of any enterprise, plays a vital role in budgeting, funding, risk management, and capital allocation. The cooker company, a prominent player in India's kitchen appliance industry, has consistently showcased resilience in a highly competitive market. However, fluctuations in raw material costs, supply chain interruptions, and rising operational expenses have impacted its financial results. This study aims to evaluate the company's financial performance by analyzing trends in profit margins, identifying factors influencing profitability and liquidity, and recommending strategies to enhance working capital turnover. Through this analysis, the study underscores how effective financial management fosters long-term growth and strengthens business competitiveness.

II. STATEMENT OF THE PROBLEM

Although the company holds a strong position in the kitchen appliances industry, it faces several challenges that influence its profitability and working capital efficiency. Rising input costs, fluctuating demand patterns, and inefficiencies in inventory management have led to increased operational expenses and the tying up of essential funds.

Excessive inventory can result in higher storage costs and potential obsolescence, while inadequate stock levels may cause missed sales opportunities and lower customer satisfaction. This study aims to analyze the company's financial performance and working capital structure to identify critical bottlenecks and inefficiencies. By examining factors such as inventory turnover, receivables, and payables management, the research seeks to propose strategies that optimize resource utilization, strengthen liquidity, and enhance profit margins—ensuring sustainable growth and operational stability in a competitive market.

III. OBJECTIVES OF THE STUDY

- To analyse the trends in profit margins over recent financial years.
- To evaluate the efficiency of working capital components (inventory, receivables, payables).
- To suggest strategies for improving working capital turnover.

IV. LITERATURE REVIEW

The review of literature provides a theoretical foundation for evaluating financial performance and working capital efficiency. Numerous studies by researchers and academicians have explored the relationship between profitability, liquidity, and operational efficiency across industries.

1. *Singh & Verma (2022)* – Effect of Inventory Turnover on Profit Margins conducted a comprehensive study examining the relationship between inventory turnover and profitability within the consumer goods sector. Their research highlights how efficiently managing inventory can significantly influence a company's financial performance.
2. *Rao and Patel (2021)* present a comprehensive study on how fluctuations in raw material costs impact the profitability of manufacturing firms. The authors emphasise that when input prices are unstable, profit margins are directly affected, as companies often struggle to pass on increased costs to consumers immediately.

Firms with strong procurement strategies, supplier diversification, and cost-control mechanisms are found to withstand volatility better.

3. *Rao & Iyer (2021)* – Financial Performance and Efficiency in Consumer Durable Firms analyse financial efficiency in Indian consumer durable firms using key ratios like profit margins, ROA, and liquidity. Their findings show that companies with disciplined resource allocation and strong working capital management consistently achieve sustainable profitability.
4. *Mehta & Singh (2021)* – Profit Margin Trends in Consumer Goods **Sector** analyses profit margin trends in consumer goods companies, focusing on both net and gross margins. Their study finds that cost control, pricing strategy, and operational efficiency are key drivers of profitability. Companies with streamlined operations and adaptive pricing tend to maintain stronger margins over time.
5. *Patel & Nair (2021)* – Profitability Analysis in Consumer Durable Industry: Examine profitability metrics, gross profit, operating profit, and net profit margins in top consumer durable companies. Their analysis reveals that firms with effective cost control and resource optimisation consistently deliver sustainable financial performance.
6. *Singh & Reddy (2021)* – Financial Efficiency through Working Capital Control Investigate how financial efficiency can be improved through disciplined working capital control. Their study emphasises systematic monitoring of inventory, receivables, and payables as key levers for enhancing operational and financial performance.

7. *Patel & Shah (2020)* – Role of Inventory Management in Financial Stability. Examine how effective inventory management contributes to financial stability in firms. Their study shows that minimising excess stock and reducing storage costs directly improves liquidity and cash flow. By optimising inventory levels, companies can avoid capital lock-in and enhance operational efficiency.

V. RESEARCH DESIGN

This study follows a descriptive and analytical research design. It is descriptive in nature as it explains the company’s financial performance, profitability, and working capital management over the five-year period from 2021 to 2025. It is also analytical because it interprets financial data and ratios to identify trends, patterns, and efficiency levels. The research is entirely based on secondary data collected from reliable and published sources such as company reports and financial databases.

Data Collection:

The study utilizes secondary data gathered from the following sources:

- Annual reports and audited financial statements of the cooker company (2021–2025)
- Balance Sheets and Profit & Loss Accounts of the company
- Reputed financial databases such as Money control, NSE India, and The Economic Times
- Books, journals, and research papers related to financial performance and working capital management.

VI. DATA ANALYSIS AND INTERPRETATION ANALYSIS OF GROSS PROFIT MARGIN

YEAR	GROSS PROFIT	REVENUE	GROSS PROFIT MARGIN
2021	975.77	2060.58	47.35
2022	933.77	2567.13	36.37
2023	1035.95	2666.57	38.84
2024	1179.69	2575.85	45.79
2025	1091.96	2605.48	41.91



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Interpretation

The gross profit margin of the company over the five years from 2021-2025. The average gross profit margin was 42.05%, with the highest at 47.35% in 2021 and the lowest at 36.37% in 2022, reflecting cost pressures or pricing changes.

The margin improved to 38.84% in 2023, surged to 45.79% in 2024, and slightly declined to 41.91% in 2025. The fluctuations indicate periods of operational challenges followed by effective cost management, showing strong overall profitability.

Analysis Of Operating Profit Margin

YEAR	EBIT	REVENUE	OPERATING PROFIT MARGIN
2021	301.18	2060.58	14.61
2022	395.52	2567.13	15.40
2023	349.52	2668.57	13.09
2024	318.18	2575.85	12.35
2025	264.37	2605.48	10.14

Interpretation

The Operating Profit Margin of the company over the five years from 2021-2025. The Operating Profit Margin (OPM) measures how efficiently operating expenses are managed.

It was 14.61% in 2021, slightly increased to 15.40% in 2022, then declined to 13.09% in 2023, 12.35% in 2024, and 10.14% in 2025, with an average of 13.92%. The trend shows initial improvement followed by a steady decline, indicating challenges in controlling operating costs over the period.

Analysis Of Net Profit Margin

YEAR	NET PROFIT	REVENUE	NET PROFIT MARGIN
2021	235.14	2060.58	11.41
2022	293.65	2567.13	11.43
2023	260.16	2668.57	9.74
2024	238.81	2575.85	9.27
2025	162.68	2605.48	6.24



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Interpretation

The Net Profit Margin of company over the five years from 2021- 2025. The Net Profit Margin (NPM) measures the portion of revenue retained as net profit. It was 11.41% in 2021, slightly increased to 11.43% in 2022, then declined steadily to 9.74% in 2023, 9.27% in 2024, and 6.24% in 2025.

The highest margin was in 2022 and the lowest in 2025, with an average of 9.62%. The trend indicates a decline in profitability due to rising expenses or reduced revenue efficiency over the period.

Analysis Of Inventory Turnover Ratio

YEAR	COGS	INVENTORY	INVENTORY TURNOVER
2021	1084.81	393.41	2.75
2022	1633.36	510.26	3.20
2023	1632.62	490.44	3.32
2024	1396.16	458.26	3.04
2025	1513.52	527.51	2.86

Interpretation

The above table shows the inventory turnover ratio of the company over the period of five years from 2021-2025. The inventory averaged 3.03 times over the five years, with the lowest value of 2.75 in 2021 and the highest of 3.32 in 2023.

The ratio improved from 2.75 in 2021 to 3.32 in 2023, indicating efficient inventory management and faster conversion of stock into sales. However, it declined slightly to 2.86 in 2025, reflecting a minor slowdown in inventory movement. Overall, the company maintained a healthy turnover.

Analysis Of Inventory Days

YEAR	365 DAYS	INVENTORY TURNOVER	INVENTORY DAYS
2021	365	2.75	132.39
2022	365	3.20	114.02
2023	365	3.32	109.67
2024	365	3.04	119.82
2025	365	2.86	127.22



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Interpretation

The above table shows the inventory days of the company over the period of five years from 2021- 2025. The Inventory Days averaged 120.63 days from 2021–2025, with the lowest at 109.67 days in 2023 and the highest at 132.39 days in 2021.

The decline from 2021 to 2023 shows improved inventory efficiency, while the slight increase to 127.22 days in 2025 indicates a minor slowdown. Overall, the company maintained effective inventory control, ensuring smooth production and sales operations.

Analysis Of Receivable Turnover Ratio

YEAR	REVENUE	RECEIVABLES	RECEIVABLE TURNOVER
2021	393.41	263.93	1.49
2022	510.26	285.31	1.78
2023	490.44	302.2	1.62
2024	458.26	285.02	1.60
2025	527.51	254.21	2.07

Interpretation

The above table shows the receivable turnover ratio of the company over the period of five years from 2021-2025. The ratio averaged approximately 1.71 times over the five years, with the lowest turnover of 1.49 in 2021 and the highest of 2.07 in 2025.

The improvement from 1.49 in 2021 to 1.78 in 2022 shows better collection efficiency, while minor fluctuations in 2023 and 2024 indicate variations in receivables management. The peak of 2.07 in 2025 reflects significantly improved credit management, reducing outstanding receivables and enhancing cash flow efficiency.

Analysis Of Receivable Days

YEAR	DAYS	RECEIVABLE TURNOVER	RECEIVABLE DAYS
2021	365	1.49	244.96
2022	365	1.788	204.13
2023	365	1.622	225.03
2024	365	1.607	227.13
2025	365	2.075	175.90

Interpretation

The above table shows the inventory turnover ratio of the company over the period of five years from 2021-2025. The ratio averaged approximately 215.23 days to collect payments from its customers, with the highest of 244.96 days in 2021 and the lowest of 175.90 days in 2025. The decline from 244.96 days in 2021 to 204.13 days in 2022 reflects improved collection efficiency. The sharp reduction to 175.90 days in 2025 demonstrates significantly enhanced credit management, resulting in better cash flow and working capital utilisation.

VII. FINDINGS

The financial analysis of the cooker company. from 2021 to 2025 reveals steady revenue growth and strong liquidity, though profitability declined slightly in recent years due to rising operational costs and market competition. The company maintained a healthy gross profit margin averaging 42.05%, supported by efficient cost and pricing strategies. However, both operating profit margin and net profit margin declined, indicating pressure on cost management. EPS, ROE, and ROA showed downward trends, reflecting reduced returns to shareholders and lower asset utilisation efficiency. Despite this, the firm maintained a solid liquidity position, with an average current ratio of 3.58 and a quick ratio of 2.51, ensuring smooth short-term solvency. Inventory turnover and receivable management improved, while working capital increased, showing operational expansion but higher fund utilisation. Overall, the company demonstrated financial stability and operational resilience, though a stronger focus on cost control and asset productivity is needed to sustain long-term profitability.

VIII. SUGGESTIONS

The company should strengthen its inventory management by improving demand forecasting and reducing excess stock to release blocked capital. It must adopt techniques like Just-in-Time (JIT) and lean inventory practices to minimise storage costs and ensure smoother stock movement. Receivable management needs to be tightened through stricter credit policies and regular customer credit checks. Offering early payment discounts and using digital invoicing will help accelerate cash collections and improve liquidity. Automated reminders and monitoring tools can further reduce delays in receivable recovery. The company should also negotiate better credit terms with suppliers so that payables can be managed without disrupting the supply chain.

Implementing integrated financial management software will support real-time tracking of working capital. Continuous monitoring of liquidity indicators, such as the current ratio and cash conversion cycle, will help identify inefficiencies at an early stage. Increased automation in billing, procurement, and cash flow tracking will enhance accuracy and operational speed.

IX. CONCLUSION

The trend analysis of the Working Capital Turnover Ratio from 2021 to 2025 indicates a persistent decline in efficiency, showing that more funds were being locked in current assets while sales generation slowed down. Although a slight recovery in 2025 suggests an initial effort toward better utilisation, the ratio remains significantly below the 2021 benchmark of 3.80 times. This downward trend reflects growing liquidity pressure and suboptimal capital deployment. To ensure long-term financial stability, the company must strike a balance between maintaining sufficient liquidity and maximising asset productivity. By tightening control over receivables, optimising inventory cycles, and aligning payables with operational cash flows, the firm can restore its working capital efficiency, improve liquidity, and strengthen profitability in the coming years.

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