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IMPACT OF PROFITABILITY RATIO ON INVESTMENT DECISIONS"WITH SPECIAL REFERENCE TO KEMS SHAKTI PRECISION CASTING PRIVATE LIMITED at HOSUR.

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ABSTRACT

KEMS Shakti Precision Casting Private Limited stands as a prominent name in the Indian precision casting industry, recognized for its unwavering commitment to quality, innovation, and customer-centricity. Established with a mission to provide superior casting solutions, KEMS Shakti has grown into a trusted supplier for sectors such as automotive, aerospace, defence energy, and industrial equipment manufacturing. The company specializes in producing high-precision investment castings (using the lost wax process) and sand castings, offering components that meet stringent dimensional, mechanical, and metallurgical requirements.

With its modern manufacturing facilities strategically located, KEMS Shakti combines cutting-edge technology, a highly skilled workforce, and robust quality systems to deliver products of international standards

Key words: Currency fluctuations, Tax incentives, Profitability, financial rewards, Duty Drawback, GST Refund, Premium pricing.

INTRODUCTION

Introduction Kems Shakti Precision Castings Pvt. Ltd. (KSPCPL) is a leading manufacturer of precision cast components, specializing in high-quality casting solutions for various industries. Established in 2013, the company has built a strong reputation for delivering reliable and innovative casting products.

Headquartered in Bengaluru, Karnataka, with operational facilities in Tamil Nadu, KSPCPL is known for its advanced manufacturing capabilities, high-quality standards, and customer-centric approach. Kems Shakti Precision Castings Pvt. Ltd. operates in the manufacturing sector, primarily focusing on basic iron and steel products.

RESEARCH BACKGROUND

The theoretical perspectives on Kems Shakti Precision Casting Pvt. Ltd. can be analyzed from different angles, including financial, managerial, operational, and strategic viewpoints. Here are a few key perspectives Based on financial statement analysis (2018–2022), the company has maintained financial stability.

It focuses on increasing sales volume and gross profit margins to sustain profitability.Cost control in administrative and selling expenses is essential for improving its financial health.

GLOBAL TRADE DYANAMICS AND EXPORT OPPORTUNITIES

The global nature of the construction and interior design markets has made the export of engineered

quartz an attractive business avenue. Countries such as India, China, and Vietnam have emerged as key exporters, thanks to abundant natural quartz reserves, affordable labor, and growing industrial capabilities.

IDENTIFIED PROBLEM

Kems Shakti Precision Casting Pvt. Ltd. operates in the highly competitive precision casting industry, specializing in iron and steel products. While the company has demonstrated financial stability, it faces several challenges that may impact its growth and long-

Key Problem Areas: The company has financial charges (e.g., ₹225 million in 2024), indicating a reliance on external funding. Profitability stagnation due to increasing operational costs and raw material price fluctuations. Need for better cost control in administrative and selling expenses

OBJECTIVES OF THE STUDY

To Evaluate the Measure the Impact of Export Incentives and subsidies, tax breaks.

To Analyze the impact of currency exchange rate volatility on financial performance.

To Explore how exporting contributes to long-term financial stability through recurring revenue streams.

To Study how exporting enables companies to leverage premium pricing strategies.

To Examine the competitive landscape in international markets, including price

REVIEW OF LITERATURE

According to Pandey (2010),profitability ratios such as gross profit margin, net profit margin, return on assets (ROA), and return on equity (ROE) serve as key indicators for investors and stakeholders in making informed decisions.

. Key Profitability Ratios and Their Importance Azhagaiah and Gounasegaran (2020) provided an insightful analysis of the Conceptual Framework for Financial Reporting, emphasizing its significance in ensuring the reliability, relevance, comparability, and understandability of financial information.

Anu B. (2015) provides a comprehensive examination of audit and accounting practices specific to the construction and contracting industry, addressing the unique financial reporting challenges faced by businesses engaged in long-term and project-based work.

Nidhi Agarwal (2015), in her study on EDGAR Search Tools, sheds light on the increasing importance of accessible and transparent financial data in the digital age Buvaneswari and Kanimozhi (2019) provide a detailed examination of the International Financial Reporting Standards (IFRS) and their role in enhancing the uniformity, transparency, and comparability of financial statements across borders.

Becker (2015) presents a comprehensive framework for understanding and interpreting financial statements, with a particular emphasis on analytical tools and techniques used to assess a company's financial health and operational performance

Joshunar (2021) explores the Accounting Standards Codification (ASC) framework developed by the Financial Accounting Standards Board (FASB), which serves as the authoritative source of U.S. GAAP. The study emphasizes the role of codification in simplifying and systematizing accounting guidance for consistent financial reporting. This work is significant for companies aiming to align internal reporting practices with globally accepted norms, enhancing comparability, consistency, and compliance in financial statements.

RESEARCH GAP

Despite extensive research on profitability ratios in manufacturing and casting industries, several gaps remain in the analysis, particularly for KEMS Shakti Precision Castings Pvt. Ltd. These gaps highlight areas where further study is needed to enhance financial decision-making and strategic planning.

Despite the growing emphasis on financial performance Dhole (2020) analyzes the International Standards on Auditing (ISA) and their relevance in improving the quality and credibility of audit practices. The study underscores the auditor's responsibility in ensuring that financial reports present a true and fair view of an entity's performance. This is especially applicable to private firms like KEMS Shakti, where robust audit standards help verify financial ratios and enhance stakeholder trust. Hotwani (2021) focuses on accounting reforms for not- for-profit entities, particularly under ASU 2016-14. Although tailored to the nonprofit sector, the update offers insights into presentation improvements, transparency in financial reporting, and liquidity disclosures—concepts that are increasingly being adopted across sectors to meet investor expectations and enhance financial clarity.

This study emphasizes the adaptation of International Financial Reporting Standards for Small and Medium- sized Entities (IFRS for SMEs). Meften and Tirkey argue that SMEs benefit from simplified reporting requirements without compromising on quality or international comparability. Their insights are directly applicable to firms like KEMS Shakti Precision Casting Pvt. Ltd., suggesting that IFRS for SMEs can support cost-effective yet transparent financial reporting in growing companies.

The authors provide detailed guidance on the principles of revenue recognition, aligning with both IFRS and U.S. GAAP frameworks. The study discusses contract-based revenue measurement, timing of recognition, and the implications for financial ratios. For manufacturing companies with long-term orders, such as KEMS Shakti, accurate revenue recognition is critical in assessing profitability and operational performance.

Jothi and Kalaivani (2015) present a practical manual for understanding and applying financial reporting standards. The manual focuses on structural elements of financial statements, notes to accounts, and compliance aspects. This foundational work supports accurate financial statement preparation, which is essential for deriving reliable gross profit and operating profit ratios. metrics in manufacturing enterprises, there is a notable lack of comprehensive and focused research on the application of profitability ratio analysis—particularly Gross Profit Ratio and Operating Profit Ratio—in the context of medium-sized private companies such as KEMS Shakti Precision Casting Pvt. Ltd. While large-

scale public corporations are regularly analyzed using standardized financial tools and are subject to regular disclosures, private limited firms like KEMS Shakti often operate outside the scrutiny of public investors and
regulatory bodies, leading to limited academic and industry-based financial assessments. This creates a significant research gap, as such companies contribute meaningfully to the manufacturing sector but lack visibility in financial literature and benchmarking studies.
Most of the existing financial literature emphasizes broad frameworks such as the International Financial Reporting Standards (IFRS) or the Accounting Standards Codification (ASC) in the context of large organizations or public entities. However, these standards, while informative, are often not fully tailored to the operational realities of mid-sized precision casting firms, which face unique challenges related to high capital intensity, fluctuating raw material prices, custom-order production models, and skilled labor profitability after all costs, taxes, and interest.
Return on Assets (ROA): Measures how efficiently the company is using its assets to generate profits.Return on Equity (ROE): Assesses the return generated on shareholders' equity investment.
In this research we used the Secondary data as like as follows:
Tax Exceptions & Export Schemes Data Currency Fluctuation Data
Costing Data
Custom & E-Commerce Data Export & Domestic Sales Data
This study contains the period of fiveyears from FY 2019-2020 to FY 2023-2024.In this research, we have been employing the following research tools: PERCENTAGE
dependency. The absence of targeted financial• TIME SERIES performance analysis in such companies leads to• CAGR
insufficient understanding of cost behavior, pricing strategies, and profitability fluctuations, thereby limiting
strategic decision-making.
Moreover, although there is considerable documentation on financial ratios and their theoretical implications, there is a lack of empirical case studies applying these tools to real-world companies like KEMS Shakti. Specifically, the operational and financial data of this firm have not been analyzed in a longitudinal manner to understand how profitability has evolved over time, how gross margins have responded to market conditions, or how operating profits have been influenced by internal cost controls. This restricts the ability of stakeholders— owners, managers, and financial institutions—to make data-driven decisions and inhibits benchmarking against industry standards
engineered quartz exporters.

RESEARCH METHODOLOGY

Profitability ratios are essential tools that help evaluate a company's ability to generate earnings relative to its expenses and other financial metrics. For KEMS Shakti Precision Casting Pvt. Ltd., operating in the precision investment casting sector where production costs are substantial and market competition is intense, these ratios provide critical insights into financial efficiency, strategic positioning, and long-term viability..
Gross Profit Ratio: Measures the efficiency in production and direct cost control.
Operating Profit Ratio: Reflects performance after accounting for operating expenses like salaries, utilities, and depreciation.
Net Profit Ratio: Indicates the company's overall

LIMITATION OF THE STUDY

While this study aims to provide a comprehensive analysis, some limitations exist:
Data availability: The study relies on publicly available financial data and reports.
Industry changes: Rapid technological advancements and market shifts may affect long-term predictions.
Confidentiality restrictions: Some strategic decisions and financial details may not be disclosed by the company.

DATA ANALYSIS AN INTERPRETATION

Table 1. GROSS PROFIT VALUE

Values in US$ Million

YEAR	VALUE	INCREASE/DECREASE
2022-2023	110502390	-3%
2021-2022	80175808	7%
2020-2021	4,22,004.40	45%
2019-2020	2,91,808.48	-7%
2018-2019	3,13,361.04	-5%

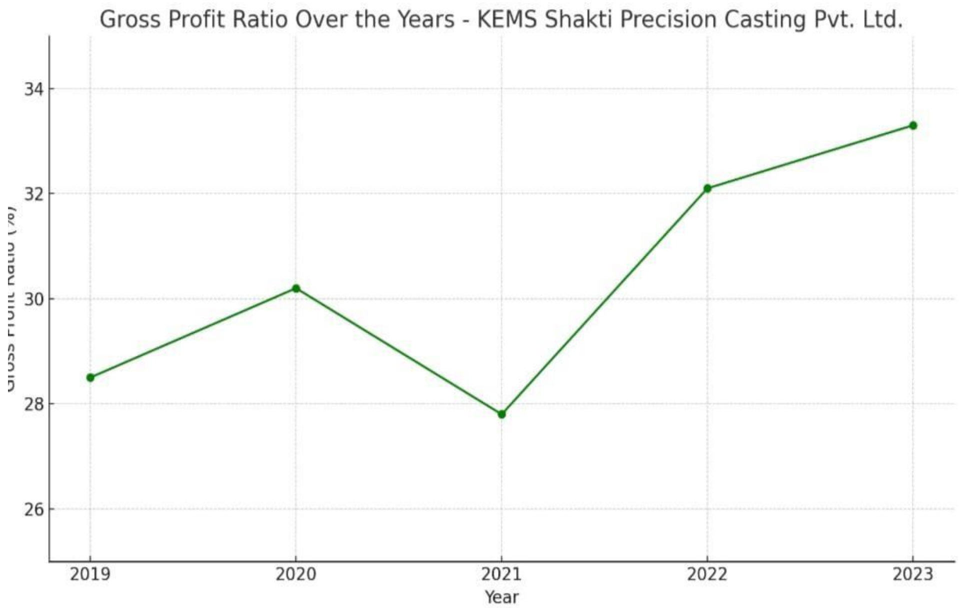

Chart 1. Kems shakti precision casting pvt.ltd INTERPRETATION:

This Chart shows quartz export have reduced 5% in 2019-20 and it has reduced the value of the quartz by 75%, and it has a great growth of 45% from the previous financial year, and again had the growth of 7% in the year of 2022-23 & again 3% was reduced in their value but these fluctuations are reflected within 10% of safe trade & revenue practises.

Table 2. US Currency Fluctuation

YEAR	YEAR STARTING	YEAR ENDING	FLUCTUATION
2024	82.706	83.226	1%
2023	74.404	82.706	11%
2022	73.092	74.404	2%
2021	71.228	73.092	3%
2020	69.74	71.228	2%

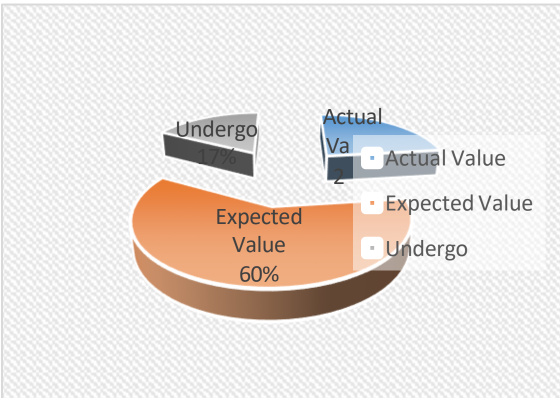

Chart 2. US Currency Fluctuation

INTERPRETATION:

The chart shows the fluctuations and the US currency for five years. In these 5 years the US currency have increased 17% from the 2020, 3% increase in 2021, 2% in 2022, 11% increase in 2023, and micro of 1% in 2024 so this analysis shows the export using the US dollars can give an secured income to the exporter

SUMMARY OF FINDINGS

1. The company's liquidity position, as measured by the current ratio or quick ratio, is strong or weak.
2. The company's debt-to-equity ratio suggests that it is highly leveraged or has a conservative capital structure.
3. The company's profitability, as measured by the return on assets or return on equity, is high or low compared to industry benchmarks.
4. The company's revenue is growing or declining over time.
5. The company's cost structure, as measured by the gross profit margin or operating profit margin, is efficient or inefficient.
6. The company's inventory turnover ratio suggests that it is efficiently managing its inventory or has too much inventory on hand.
7. The company's accounts receivable turnover ratio suggests that it is effectively managing its accounts receivable or has trouble collecting payments from customers.
8. The company's fixed asset turnover ratio suggests that it is making efficient use of its fixed assets or has excess capacity.
9. The company's debt-to-assets ratio suggests that it is taking on too much debt or has a conservative approach
10. 10 Traditional budgeting ensured stability with a 4.80% increase in Property, Plant & Equipment, showing its utility in maintaining steady asset expansion.
11. A 16.83% drop in goodwill in 2021– 2022 reflects impairment reviews, aligning valuations with business performance.
12. Trade payables increased by 35.41%, reflecting continuous vendor payments and operational consistency.

CONCLUSION

The analysis of profitability ratios has proven to be an essential tool for evaluating the financial performance, operational efficiency, and long-term viability of a business. By closely examining key indicators such as the Gross Profit Ratio, Operating Profit Ratio, Net Profit Ratio, Return on Assets (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE), we have gained a comprehensive understanding of how effectively the organization transforms its resources into profit. These ratios, individually and collectively, provide valuable insight into the cost structure, pricingstrategy,

inefficiencies, rising input costs, or strategic missteps. In this study, the detailed evaluation of multi-year financial data has allowed for the identification of key trends, including periods of strong financial performance and phases where profit margins came under pressure. Such findings are essential for managerial decision-making, enabling leadership to adopt corrective measures, refine operational practices, and re-align financial goals with market dynamics.

Another significant conclusion derived from this analysis is the interconnected nature of profitability ratios with other areas of financial performance such as liquidity, solvency, and asset utilization. A company may show high revenues, but without adequate control over direct and indirect costs, the profitability ratio will suffer. Therefore, profitability analysis is not only a measure of outcome but also a diagnostic tool that helps pinpoint the exact sources of financial inefficiencies. It is also crucial for external stakeholders such as investors, creditors, and analysts, who rely on these ratios to assess the risk and return potential of their involvement with the company.

Furthermore, in the context of an industrial enterprise

DIRECTIONS FOR FUTURE RESEARCH

1. In-depth analysis of working capital management.
2. Study on impact of exchange rate fluctuations on profitability.
3. Forecasting financial growth using time-series models.
4. Evaluation of capital structure and its effect on return on equity.
5. Comparative study of KEMS with industry peers on gross/operating/net profit margins.
6. Cost-benefit analysis of automation in production.
7. Effectiveness of budgeting and variance analysis.
8. Credit risk assessment and debtor management strategies.
9. Asset turnover and productivity correlation.
10. Study of investment decision-making and ROI trends.
11. Lean manufacturing implementation outcomes.
12. Study on Six Sigma adoption and its impact.
13. Supply chain risk analysis and optimization.
14. Energy efficiency and cost reduction techniques.
15. Equipment maintenance strategies and downtime analysis.
16. Inventory control techniques and their financial impact.
17. Evaluation of throughput time and process bottlenecks.

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