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IMPACT OF PROFITABILITY ANALYSIS OF NATIONAL BUILDING CONSTRUCTION COMPANY INDIA LIMITED

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ABSTRACT

Profitability Analysis is key to organizations' ability to understand what they should focus on in the future. There are many different ways to analyse profitability, from backward looking trend analyses to predictive modelling of the future. There are also many ways theories about how profitability should be analyse. Profitability costing is the concept of assigning all costs incurred by a company to the various products or relationships the organization maintains in an effort to determine which products or relationship are the most profitable. In any organization profit is essential to meet an expenses, interest and dividend but company cannot run their business, if company have only profit maximization objective. Although profit is essential due to above reasons. In this study we have calculate gross profit, operating profit, Net profit, and return on capital employed to examine the financial position of NBCC.

Keywords: *Gross Profit, Operating Profit, Net Profit and Return on Capital Employed.*

Introduction

Profitability is a primary measure of all the success of the company. It is necessary for the company's survival it is a measure of the income or the operating success of the company for a given period of time. An income of company or lack of its ability to obtain them and equity financing its liquidity positions and its ability to grow cannot be determine. Profitability is frequently used as the ultimate test of investment operating efficiency. Profit earning is essential for the survival and growth of the business. A business needs profit not only for its existence but also for expansion and diversification. A business finds it difficult to remain stable and survive in gather market without profits. The greater the volume of the prophet generated the higher is the efficiency of the concern. Every investor needs higher rate of return on their investment this site of investors even the workers are expecting higher wages and creditor want to sure their loan and interest. Today in a business environment profit is backbone of every industry for guiding the business operations profitability means company's ability to turn on investment through its business activity. It's you're how the resources are efficiently utilised to achieve its goal for earning profits. Profit or essential for the organisation to make dividend payments to its shareholders as well as written a part of the profit as reserve to overcome from the unforeseen circumstances in the near future.

Justification to the Topic

It has carried out the present research work titled "Impact of profitability position of NBCC since the government of India has granted the NBCC with status of Navratna company, India has experience speedy growth in the construction through the successive government that have supported the business and pushed for its robust development.

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To be a leading company with high brand equity in construction business offering sustainable, innovative and cost-effective construction products and services contributing to national wealth upholding the responsibility for the environment and promoting well-being of all stakeholder including employee, customers, shareholder & society.

NBCC is India's largest construction company to measuring the financial performance is of great importance for the parties interested in the concern these indicators are of great importance and tell us the true financial position of NBCC. The indicators help in identifying the strength and weakness of NBCC and suggestions for improvement in its future working.

Review of Literature

Profitability analysis is vital for the triumph of an enterprise. Profitability analysis is an appraisal of the feasibility, solidity and fertility of a business, sub-business or mission.

Pavithra J, Thooyamani K.P., Dkhar Kermiki (2017) In the study so many methods are used to examine the financial performance it helps to know the strength & weaknesses of the company. Main focus of the study is to evaluate financial level by using ratio analysis, trend analysis and comparative statements. The conclusion is the financial position of a company is favourable.

Ravichandran M. & Venkata Subramanian M. (2016) This study includes viability stability & profitability of business. A part from this it also analysed the financial operating position from the study it was concluded that company has enough fund to meet all the liabilities. The profitability of company increases every year in good rate of performance

Dr. K.Jothi, (2015) The author made study on financial performance analysis of HONDA & TOYOTA companies and made have discussed that both companies have comfortable short term liquidity position and therefore not likely to encounter to any major difficulties in paying / discharging their short term obligations in time. As far as cash ratio is concerned it is encouraging to note that the Honda is having sound cash management practice. Toyota Company had made use of more borrowed funds than the capital. From the profitability perspective it is found that Honda Company has high earning potential. In conclusion it appears safe to summarize that the Honda & Toyota seems to be sound financial management practice.

Vidya, (2015) The Author had discussed that the standard current ratio of automobile industry is matched with Tractor and the four sectors like gears, engine parts, lamps and ancillaries others are matched with standard norms. It is inferred that other sectors have to improve the repaying capacity to strengthen the financial aspects. The standard liquidity ratio is matched with tractor in the automobile sector and all the sectors are standard in the auto ancillary. In order to meet the financial obligation, the lcv/hcv, motor cycle, scooters have to make arrangement to meet the standards

PAL (2015) The author had discussed that the individual ratios which are affecting the profitability of the industry. Another objective of the study is to identify and categorized the financial ratios into a small number of latent variable to represent a compact view of financial performance for a specified time period. Initially the study was started with 36 ratios of 9 Indian automobile companies for a period of 15 years classified in 7 traditional categories. Statistical techniques like factor analysis, regression analysis are applied to the data set to facilitate the objectives of the study. Factor analysis extracted three factors 'solvency asset and cash flow management', 'profitability management' and 'operating efficiency' which represents the most prevailing factor during the study period. On the other hand regression analysis shows that three individual variables WCTA, ITR and DPRCP have significant effect on the profitability of the industry.

Gepp and Kumar (2008) incorporated the time "bias" factor into the classic business failure prediction model. Using Altman (1968) and Ohlson's (1980) models to a matched sample of failed and non-failed firms from 1980's, they found that the predictive accuracy of Altman's model declined when applied against the 1980's data. The findings explained the importance of incorporating the time factor in the traditional failure prediction models.

Campbell (2008) constructed a multivariate pclosely held firms. Six variables were used in developing the hypotheses and five were significant in distinguishing closely held firms that reorganize from those that liquidate. The five factors were firm size, asset profitability, the number of secured creditors, the presence of free assets, and the number of under-secured secured creditors. The prediction model correctly classified 78.5% of the sampled firms. This model is used as a decision aid when forming an expert opinion regarding a debtor's likelihood of rehabilitation. No study has incorporated the financial performance analysis of the central public sector enterprises in Indian drug & pharmaceutical Industry. Nor has any previous research examined the solvency position, liquidity position, profitability analysis, operating efficiency and the prediction of financial health and viability of public sector drug & pharmaceutical enterprises in India.

S.K. Srivastava (2007) in his study Role of Organizational management and managerial effectiveness in promoting performance and production. Management is a universal Phenomenon. It is present in virtually all walks of life. Management is not confined merely to a factory or an office. Skillful management is needed in clubs, families, Schools, Sports, teams and social functions like marriages, Picnics parties and so on. Lack of proper management invariable results in chaos, wastage of time, money and efforts. Although management is needed in various activities, it has special significance with respect to business enterprises in the public as well as private sectors. The productive efficiency of business firm depends a great deal on the Quality of management. Also, effectiveness of management is a major factor determining the growth and prosperity of a business on which Chapter-2 Review of Literature 82 rests the process of economic growth

Santimoy Patra (2005) the impact of liquidity on profitability is analysed in his study considering the case Tata Iron & Steel Company Limited. The study of the impact of liquidity ratios on profitability showed both negative and positive association. Out of seven liquidity ratios selected for this study, four ratios namely current ratio, acid test ratio, current assets to total assets ratio and inventory turnover ratio showed negative correlation with profitability ratio. However, this correlation co-efficient were not statistically significant. The remaining three ratios namely working capital turnover ratio, receivable turnover ratio and cash turnover ratio have shown positive association with the profitability ratio, all of which are statistically significant at 5% level of significance. The result of all the correlation coefficient is as desirable except correlation co-efficient between inventory turnover ratio and ROI. However, this undesirable sign between ITR and ROI is not supported by the multiple regression analysis, which shows the positive association between these two variables. There is increasing profitability which depends upon many factors including liquidity.

Sudarsana Reddy (2003) studied the Financial Performance of Paper industry in AP. The main objectives set for the study are to evaluate the financing methods and practices to analyze the investment pattern and utilization of fixed assets, to ascertain the working capital condition, to review the profitability performance and to suggest measures to improve the profitability. The data collected have been examined through ratios, trend, common size, comparative financial statement analysis and statistical tests have been applied in appropriate context. The main findings of the study are that A.P paper industry needs the introduction of additional funds along with restructuring of finances and modernization of technology for better operating performance.

Mansur A. Mulla (2002) in „Use of „Z" score analysis for evaluation of financial health of textile mills - A case study" has been made an insight into the financial health of Shri Venkatesh Co-operative Textile Mills Ltd., Arunageri of Dharwad District. The „Z" score analysis has been applied to evaluate the general trend in financial health of a firm over a period by using many of the accounting ratios. From the study it was concluded that the textiles mill under study was just on the verge of financial collapse. On the one hand, current assets declined because of the negative profitability performance, whereas on the other hand, the current liabilities were on the increase because of poor liquidity performance of the mill.

Vijayakumar (2002) in "Determinants of Profitability-A firm level study of Chapter-2 Review of Literature 79 the Sugar Industry of Tamil Nadu", delved into the various determinants of profitability viz., growth rate of sales, vertical integration and leverage. Apart from these three variables, he had selected current ratio, operating expenses to sales ratio and inventory turnover ratio. Econometric models were used to test the various hypotheses relating to profitability with other variables. The researcher noted in his conclusion that efficiency in inventory management and current assets are important to improve the profitability.

Vijayakumar (2002) in his study "Financial appraisal of Salem Cooperative Sugar Mills Ltd, Mohanur" analysed the various aspects of the working of Salem Co-operative Sugar Mills Ltd, Mohanur. Financial appraisal has been studied with respect to profitability, capital structure, fixed assets and working capital. The researcher's main finding is about the Mill"s over reliance on external funds which results in interest burden. It is certain that the Mill will have better scope to function in an efficient manner if the owner's funds are increased and the borrowings are reduced.

Dabasish Sur (2001) studied the Liquidity Management: An overview of four companies in Indian Power Sector. In this study a comparative analysis regarding the liquidity management in electricity generation and distribution industry has been made for the period 1987-88 to 1996-97. The study reveals that the overall liquidity should be managed in such a way that not only it should not hamper profitability but also its contribution towards increase in profitability should be positive.

Debashish Rei and Debashish Sur (2001) studied the profitability analysis of Indian food products industry: A case study of Cadbury India Ltd. The study attempts to measure the profitability scenario of Cadbury India Ltd. and analyses the relationship among various profitability ratios and their joint impact using multiple correlation co-efficient and multiple regression method. The study on the inter-relation between the selected ratios regarding the company"s position and performance and profitability of the company revealed both negative and positive association.

Agarwal (1999) studied the profitability and growth in Indian Automobile manufacturing industry. The objective of this study is to examine if firms have been making super normal profits since 1975 when price controls were removed. It also evaluates the impact of policy changes since 1981-82 on profitability and growth of firms in the industry using Tobin"s Square as a measure of profitability. The study finds no evidence to show that firms have made super normal profits. Profitability is found to be explained mainly by the age of the firms, vertical integration, diversification and industry policy dummy variable. Important determinants of the growth of firms are found as diversification, industry policy dummy variables, gross retained profits and expansion of capacities. Results also reveal differences in performance between car and non-car sectors as well as within the sectors of the industry.

Sidhu and Gurpreet Bhatia (1998) studied the factors affecting profitability in Indian textile industry. In this study an attempt was made to identify the major determinants of profitability in Indian textile industry with the help of empirical data taken from Bombay Stock Exchange Directory for the year 1983. To find out the factors affecting profitability, regression analysis had been applied. From the analysis, there was no clear-cut relationship between current profitability and capital intensity. The age of the firm was having generally negative but statistically insignificant relationship with current profitability which points towards the fact firms in Indian textile Chapter-2 Review of Literature 76 industry are absolute and need modernization.

Vijayakumar (1998) has examined the determinants of corporate size, growth and profitability-the Indian experience. To meet the objectives of the study, Indian public sector industries were selected. The data relating to size, growth and profitability were collected from their annual reports published by the Bureau of Public Enterprises (BPE), Government of India. The study covers the period from 1980-81 to 1995-96. The technique of average, correlation and linear and multiple regression analysis has been used in this study. Inter - industry analysis reveals that the growth is positively and significantly associated with the size in all the industry groups except textiles.

Vijayakumar and Venkatachalam (1995) in "Working Capital and Profitability - An Empirical Analysis" studied the impact of working capital on profitability in sugar industry of Tamil Nadu by selecting a sample of 13 companies; 6 companies in co-operative sector and 7 companies in private sector over the period 1982-83 to 1991-92. They applied simple correlation and multiple regression analysis on working capital and profitability ratios. They concluded through correlation and regression analysis that liquid ratio, inventory turnover ratio, receivables turnover ratio and cash turnover ratio had influenced the profitability of sugar industry in Tamil Nadu.

Altman and Eberhart (1994) reported the use of neural network in identification of distressed business by the Italian central bank. Using over 1,000 sampled firms with 10 financial ratios as independent variables, they found that the classification of neural networks was very close to that achieved by discriminant analysis. They concluded that the neural network is not a clearly dominant mathematical technique compared to traditional statistical techniques.

Chandrasekaran (1993) in „Determinants of profitability in Cement Industry" has studied the determinants of profitability in cement industry. The objective of this study was to examine determinants of profitability in cement industry. The study aims at drawing inference on impact of policy measures which led to change in price and distribution polices relevant for cement industry. Determinants of profitability are analysed using the technique of ordinary least squares. Based on existing theories and relevant econometric empirical works, variables are selected. The study concluded that efficiency in inventory management and efficient management of current assets were important to improve profitability.

Objectives of the Study

The present research study focuses on the below mentioned objectives:

- To explore an understand about the Profitability position of NBCC
- To analyse the Profitability ratios of NBCC
- To examine the impact of sales on operating profit of the NBCC
- To draw a conclusion on the derived results

Hypothesis

This study is based on the following null hypothesis (H_0)

- There is no significance impact of Sales on Operating profit of National Building Construction Corporation.

Research Methodology

Research methodology may be defined as a way to systematically solve the research problem. It is a process of collecting and analyzing information in order to increase our understanding of the phenomena about which be are concern or interested. Research comprises defining and re-defining problem, formulation of hypothesis or suggested solution, collecting, organizing and evaluating data, making deduction and reaching conclusion. The research study cover 10 financial years from 2011-12 to 2020-21 to make the analysis of long-term solvency that are deemed quite sufficient.

Research Design

Research design is the arrangement of conditions for collecting and analysis of data in the manner that aim to combine relevance to the research purpose with the economy in procedure. In fact, the result designed is the conceptual structure with in which, research is conducted. It constitutes the blueprint of the collection measurement and analysis of data the research design utilized in this study is analytical research.

Limitations of the Study

- The Study Covers only 10 year’s period i.e. 2011-12 to 2020-21 for the Profitability analysis.
- The Study have been used secondary data throw published annual reports and websites.
- The data have been grouped and sub-grouped as per the requirement of the study.
- The data dependent on audit so there may be a chance of lack of reliability.

Analysis of the Study

The ratio analysis method is one of the best methods to access the financial performance of companies. With the ratio analysis method, we can take important decisions drive results and can-do comparisons. With the help of profitability ratio analysis, we can know the ability of the company that how much a company is efficient enough in generating profit.

- Gross Profit Ratio (G.P. Ratio)
- Operating profit Ratio (O.P. Ratio)
- Net Profit Ratio (N.P. Ratio)
- Return on Capital Employed (ROCE)

- **Gross Profit Ratio** Gross profit ratio measures the relationship of gross profit to net sales and is usually represented as a percentage. This ratio shows the margin of gross profit on sales. Gross profit ratio reveals profit earning capacity of the business concern with reference to its sale. The gross profit ratio indicates the extent to which selling prices of goods per unit decline without resulting in losses on operation of a firm. It reflects the efficiency with which a firm produces its products. Thus, it is calculated by dividing the gross profit by sales:

  Gross Profit = gross profit /net sales x 100

As the gross profit is found by deducting cost of goods sold from the net sales, higher the gross profit ratio (G/P ratio) better the result. There is no standard norm for gross profit ratio and it may vary from business to business but the gross profit should be adequate to cover the operating expenses (administrative and office expenses, selling and distribution expenses) and to provide for fixed charges, dividends and accumulation of reserves. A low gross profit ratio generally indicates high cost of goods sold or sales at lesser price, lesser sales, etc. A high Gross profit ratio is a sign of good management. Increase in gross profit ratio will mean reduction in cost of production or direct expenses or sales at reasonably good price.

Table 1: Statement Showing Gross Profit Ratio

(₹ in Cr…)

Year	Gross Profit (₹)	Net Sales (₹)	Gross Profit Ratio (%)
2011-12	17367.90	342932.29	5.06
2012-13	19538.27	318691.71	6.13
2013-14	26194.53	403869.77	6.49
2014-15	30401.63	435859.07	6.98
2015-16	34106.21	574807.13	5.93
2016-17	44955.92	734829.20	6.12
2017-18	61839.46	839387.36	7.37
2018-19	44837.73	980638.93	4.57
2019-20	22919.11	802750.41	2.86
2020-21	16581.93	673993.72	2.46
Arithmetic Mean	31874.27	610775.96	5.40
Standard Deviation	14731.54	230230.55	1.66
Ave. Ann Growth Rate	-0.45	9.65	-5.14
C.O.V.	46.22	37.69	30.75

Source: Annual reports of NBCC india limited from 2011-12 to 2020-21

Interpretation

The table number show that cross profit ratio was between 2% to 7% during the period of the study. The highest gross profit ratio is 7.37% was in the year 2017-18 and the least is 2.46% was observed in the year 2020-21. The gross profit ratio increased constantly in the first four years of study. Towards the end years it shows of fluctuating train with the slide variation of increase and decrease. Highest gross profit of 61839.46 was in 2017-18 and least of 16581.93 was in 2020-21. It's average value show that it was able to generate 5.4% on an average as profit on good produce at the initial stage.

Statistical analysis show that average gross profit ratio was 5.4% during the period of study. The mean value of gross profit was 31874.27 and that of net cells was 61 the average of annual growth rate of 10 years was -5.14. the gross profit in the last years lower than the middle section of the study. Standard deviation of gross profit ratio was 1.66 which shows higher degree of absolute variability or lower degree of uniformity among gross profit ratio. Coefficient of variation of gross profit ratio was 30.75 which indicate the higher relative variability.

- **Operating Ratio:** Operating ratio indicates the ratio of operational cost to the sales. Operating ratio is a measurement of the efficiency and profitability of the business enterprise. In other words, it measures the cost of operations per rupees of sales. Operational efficiency of the business will be more in case of lesser operating ratio and vice versa. The ratio is calculated by dividing operating cost with the net sales and it is generally represented as a percentage.

$$\textbf{Operating Ratio} = \frac{\textbf{Operating Cost *100}}{\textbf{Net Sales}}$$

$$\textbf{Operating Ratio} = \frac{\textbf{Cost of Goods Sold + Operating Expenses *100}}{\textbf{Net sales}}$$

Table 2; Statement Showing Operating Ratio

(₹ in Cr…)

Year	Operating cost (₹)	Net Sales (₹)	Operating Ratio (%)
2011-12	330174.17	342932.29	96.28
2012-13	303982.55	318691.71	95.38
2013-14	383279.60	403869.77	94.90
2014-15	411389.74	435859.07	94.39
2015-16	551395.35	574807.13	95.93
2016-17	702505.98	734829.2	95.60
2017-18	800090.03	839387.36	95.32
2018-19	958047.52	980638.93	97.70
2019-20	799004.44	802750.41	99.53
2020-21	671842.86	673993.72	99.68
Arithmetic Mean	591171.22	610775.96	96.47
Standard Deviation	228050.31	230230.55	1.87
Ave. Ann. Growth Rate	10.35	9.65	0.35
C.O.V.	38.58	37.69	1.94

Higher the operating ratio, the less favourable it is, because, it would have a small margin (operating profit) to cover interest, income-tax, dividend and reserves. There is no rule of thumb for this ratio as it may differ from firm to firm, depending upon the nature of its business and its capital structure. However, 75 to 85 per cent may be considered to be a good ratio in case of a manufacturing undertaking. Operating ratio is considered to be a yardstick of operating efficiency but it should be used cautiously because it may be affected by a number of uncontrollable factors beyond the control of the firm. Moreover, in some firms, non-operating expenses form a substantial part of the total expenses and in such cases operating ratio may give misleading result.

Source: Annual reports of NBCC india limited from 2011-12 to 2020-21

Interpretation

The table number show total operating expenses as a percentage of net sales. 10 years study show the ratio approximately 94.39% to 99.68% it means there is no more fluctuation in the last year it increases on high. The highest operating cost in year 2018-19 was 958047.52 and least operating cost in year 2012-13 was 303982.55 the forms of a more operating laws in year 2020-21 which was 99.68.

The operating ratio has a mean value of 96.47% with the average annual growth rate of less than 1% called 0.35 %. The total operating expenses of the firm has an average value of application of technique of dispersion show that it has and standard deviation of 1.87 which is an indicator of low degree of variability among the ratios. Coefficient of variation of this series of ratio was 1.94%.

- **Net Profit Ratio:** Net profit ratio establishes the relationship between net profit and sales and indicates the efficiency of management in managing its manufacturing, selling, administrative and other activities. Net profit is computed by deducting all direct costs (i.e., cost of goods sold); indirect costs (i.e., administrative, marketing expenses and finance charges); making adjustments for non-operating expenses from sales and adding non-operating incomes. Net profit ratio shows the operational efficiency of the business. The ratio is calculated as under:

  Net Profit Ratio = Net Profit /Net Sales × 100

Decrease in the ratio indicates managerial inefficiency and excessive selling and distribution expenses. In the same way, increase shows better performance, improvement in the overall efficiency and profitability of the business. Net profit Ratio therefore, indicates the proportion of sales revenue available to the owner's of the firm and the extent to which the sales revenue can be decreased or the cost can then be increased without inflicting a loss on the owner's. So, the net profit ratio shows the firm's capacity to face the adverse economic situation.

Table 3: Statement Showing Net Profit Ratio

(₹ in Cr…)

Year	Net Profit (₹)	Net Sales (₹)	Net Profit Ratio (%)
2011-12	17664.08	342932.29	5.15
2012-13	20739.88	318691.71	6.51
2013-14	25745.27	403869.77	6.37
2014-15	27827.68	435859.07	6.38
2015-16	29117.72	574807.13	5.07
2016-17	39231.03	734829.2	5.34
2017-18	39527.96	839387.36	4.71
2018-19	39126.47	980638.93	3.99
2019-20	9900.98	802750.41	1.23
2020-21	23644.29	673993.72	3.51
Arithmetic Mean	27252.54	610775.96	4.83
Standard Deviation	9942.56	230230.55	1.61
Ave. Ann. Growth Rate	3.39	9.65	-3.19
C.O.V.	36.48	37.69	33.44

Source: Annual reports of NBCC india limited from 2011-12 to 2020-21

Interpretation

The table number show the ratio of net profit as and percentage of net sales. The highest net profit 39527.96 was observe in year 2017-18 and the least 9900 in year 2019-20. The net profit ratio was constantly decreasing every year. It shows the higher level of investment in direct and indirect, operating and non-operating expenses. In the year 2019-20 has least ratio 1.32 which was not satisfactory. Net profit ratio shows a fluctuating tendency with an average value of 4.83. the average annual growth rate was -3.19 which was not satisfactory. The standard deviation of 10-year study was 1.61. statistical analysis of ratio show net profit was coefficient of variation was 33.44 which shows average to relative variability among all the ratios.

Return on Capital Employed

Return on capital employed established a relationship between profit and the capital employed. It is a primary ratio and used most of the time. It helps to know the overall profitability and efficiency of a business. It called as total investment of business. Computation of capital employed basically done by two ways:

- Gross capital employed
- Net capital employed

The formula of computing capital employed are:

$$\text{Return on capital employed} = \frac{\text{Net profit}}{\text{Capital employed}}$$

Table 5: Statement Showing Return on Capital Employed Ratio (ROCE)

(₹ in Cr…)

Year	EBIT (₹)	Capital Employed (₹)	Net Profit Ratio (%)
2011-12	12758.12	100081.70	12.75
2012-13	14709.16	121732.64	12.08
2013-14	20590.17	119380.68	17.25
2014-15	24469.33	138334.88	17.69
2015-16	23411.78	160850.28	14.56
2016-17	32323.22	212640.26	15.20
2017-18	39297.33	232671.01	16.89
2018-19	22591.41	189062.02	11.95
2019-20	3745.97	203631.01	1.84
2020-21	2150.86	222972.14	0.96
Arithmetic Mean	19604.74	170135.66	12.12
Standard Deviation	11664.71	48204.58	6.02
Ave. Ann. Growth Rate	-8.31	12.28	-9.24
C.O.V.	59.50	28.33	49.67

Source: Annual reports of NBCC india limited from 2011-12 to 2020-21

Interpretation

The table number show that the return on capital employed was highest in year 2014-15 when it was 17.69 and least in year 2020-21 when it reduced to 0.96. the overall average return on capital employed was - 9.24 which means that the company is not in a position to use capital employed efficiently and earning power of its nuts assets is not so good. The company needs to enhance its borrowing policy. The standard deviation of return on capital employed was 6.02 and coefficient of variation was 49.67.

Testing of Hypothesis

Distribution is a small test use for testing of hypothesis of sample size. If the calculated value of t is less than the table value the null hypothesis will be accepted and vice versa for a given significance level it can be calculated as follow

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2}$$

r= coefficient of correlation

n=number of observations

Null hypothesis (H_0)-There is no significance impact of Sales on Operating profit of National Building Construction Corporation.

t- test was conducted between parameter of Sales and Operating Profit for judging the Profitability position. The correlation between Sales and Operating Profit was 0.998 which show a positive degree of relation. Table value was calculated taking 5% level of significance for 8 degrees of freedom. Calculator value and table value of t-test are as follows

$t_{0.05}$=14.01 and t=2.31

Interpretation

Hence the calculated value of 14.01 is more than critical value of t is 2.31 the null hypothesis is rejected. So, we can say that there is significance impact of Sales on Operating Profit. Operating profit is arising only due to sales.

Conclusion

Profitability analysis is the vital part of Financial Management of any business. However, the profitability of this Company was adversely affected by the various factors. This study helps the NBCC to control over the financial areas and the smooth functioning of the business. This study and analysis of profitability and financial statement gives a thorough insight to the research and how the financial statements should be analysed which will help in the improvement of profitability and liquidity of the business. The study will enable the company to plan for future financial analysis and helps to analyse the firm's profitability over time, its ability to generate more profit. It's of responsibilities financial Manager to see that the sources of the funds are used effectively and efficiently. By considering the above suggestions that the Company will be improve and for the better management of finance in near future.

In the study of profitability analysis of National building construction corporation (NBCC), it is clear that the company's financial performance is satisfactory and operating profit is depending only sales thus there is significant impact of sales on profitability position of the company.

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