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A Study on the Effects of Cost of Capital on Profitability with Special Reference to Keltron Equipment Complex, Thiruvananthapuram

P. Ashmi

II MBA, Department of Management Studies

St. Xavier's Catholic College of Engineering (Autonomous), Chunkankadai

M. Adlin

Assistant Professor, Department of Management Studies (Autonomous)

St. Xavier's Catholic College of Engineering, Chunkankadai

Abstract

The effect of cost of capital on Profitability is the focal point of this study with a detailed analysis on KELTRON Equipment Complex, Thiruvananthapuram. The study period is five years ranging from 2019 to 2023 and secondary data has been obtained from the company's audited annual report and financial statement. A descriptive and analytical research design have been used. The data analysis is done using financial tools such as cost of capital analysis (cost of debt, cost of equity and WACC calculations), ratio analysis and trend analysis. The results indicate that significant changes in the capital structure of the company took place during the period of the study, which shifted from dependence on debt funds towards the dominance of equity funds. The weighted average cost of capital (WACC), although somewhat volatile, dropped significantly in 2023, underscoring the increased cost efficiency. The overall profitability trend was improving, notably improving since 2022, indicating improved asset utilization and better operational efficiency.

Keywords: Cost of Capital, Profitability, Capital Structure, Ratio Analysis, KELTRON Equipment Complex, Financial Performance.

Introduction

The world of business and commerce today is a world of financial decision making, and it's the key to the growth and sustenance of an organization in the long run. The cost of capital is one of the most important financial terms, standing between many other financial terms and definitions and serving as a minimum rate of return that a company needs to achieve on its investments to meet the expectations of its capital providers. It is an essential tool for assessing investment opportunities, financial structure and investment performance. Therefore, it is crucial for a firm to have an efficient management of the cost of capital to improve its profitability and to maximize the wealth of the shareholders.

Cost of capital is the average of the cost of capital raised from different sources such as equity, preference shares, retained earnings and debt. Every source has a certain cost associated with it, which is determined by the risk that investors and lenders see in that source. A company that doesn't make a profit over its cost of capital can have shareholder value erosion even if it makes accounting profits. Therefore, cost of capital is not just a theoretical concept, but a practical value that can have a significant impact on strategic financial decisions and operational efficiency.

Profitability, in contrast, is one of the important financial indicators and a measure of the company's success. It demonstrates the capacity of an organisation to produce revenues from its resources and is often calculated using net profit margin, return on assets and return on equity ratios. The cost of capital is one of the factors that determines profitability, with an increase in the cost of capital, resulting in a decrease in net earnings, and an optimized capital cost, that results in an increase in overall profitability.

Karakulam is a Strategic Manufacturing Unit of Kerala State Electronics Development Corporation Limited (KELTRON) (KEC). KELTRON is the first State Sector Electronics Corporation of India owned by the Government of Kerala incorporated in 1972. KEC is a specialist of power electronics, security and surveillance systems, special project groups and electronic components. For the public sector, where the relationship between cost of capital and profitability need to be critically examined, and operating in a capital-intensive manner. The Financial Analysis is a structured examination of the financial performance of KELTRON Equipment Complex over the next five years (2019-2023).

Literature Review

Das and Roy (2025) investigated the role of cost of capital on the financial performance of Infosys Ltd and concluded that by having a low cost of capital with the efficient financial management, the financial performance can be increased in terms of higher profitability and financial stability of the company. Reddy (2025) studied the cost efficiency and profitability at HDFC bank and concluded that lower cost of capital implies better financial performance, stability, and competitive positioning of the bank. Ahmed and Rahman (2024) conducted a study on working capital management and profitability of the Nestlé India and concluded that the efficient management of working capital enhances profitability by ensuring liquidity and mitigating financial risks.

In their analysis of Tesla, Inc., Chen and Wang (2024) found that high cost of capital as a result of expansion activities for the company had a negative impact on the short-term profitability, but that successful financial strategies over time resulted in superior financial performance. Garcia and Lopez (2024) used a cost of capital and firm performance analysis of Larsen and Touchro and found that efficient management of capital structure helps in the reduction of financing costs and result in better financial performance. Sharma and Iyer (2024) conducted a study on the effect of cost of capital on profitability at the firm, Reliance Industries and concluded that the lower the cost of capital the higher will be the financial performance and the better the shareholder value will be.

Hasan, Uddin & Khan (2024) focused on the effect of cost of capital on the firm value and firm profitability in selected cement companies in Bangladesh and found that the reduction in cost of capital increases the firm value and firm profitability. According to Patel and Shah (2023), at Hindustan Unilever Ltd. the relationship between cost of capital and profitability is that the firm has to keep the debt ratio low to bring down the cost of capital and increase the profitability. Lee and Park (2022) proved in their research on Samsung electronics that an effective capital structure can reduce the cost of capital and enhance the profitability and investor confidence. In a study on Apple Inc., Smith and Brown (2022) found that the management of cost of capital is a major factor that contributes to the overall financial performance and creation of shareholder value.

Research Methodology

The purpose of the study is to determine the objectives.

1. To find the cost of capital of KELTRON Equipment Complex.
2. To study the capital structure of the company.
3. To study the profitability status of the company.
4. To analyse the effect of cost of capital on profitability.

Research Design

The study is descriptive and analytical type of research used in the attempt to conduct a systematical evaluation of the financial performance and cost of capital structure of KELTRON Equipment Complex for 5 years. It is derived from second-hand information gathered from the company's published annual reports and audited financial statements from 2019 to 2023.

Tools of Analysis

The financial analytical tools used in the study are cost of capital analysis, profitability ratio analysis, solvency ratio analysis and trend analysis. These tools are all used to evaluate the profitability, liquidity, solvency, and effect of the cost of capital on financial performance of the company.

Limitations

- The study is limited to five years period of 2019 to 2023.
- The study is based on secondary data, which is sourced from annual published reports.
- Limited detailed information exists to calculate cost of capital particularly when it comes to cost of equity and market values.

Data analysis and interpretation

Cost of Capital Analysis

The cost of capital is the cost to the company of using its capital for business activities. It contains the cost of debt, which is the interest paid on debt, and the cost of equity, which is the return that the shareholders expect to receive. It is the lowest profit that the company should make on investments. The true cost is measured by the Weighted Average Cost of Capital (WACC) which reflects the share of each source of finance.

Cost of Debt (Kd)

Cost of debt equals the after-tax interest rate paid by a company on its debt. It is calculated using the formula:

$$Kd = (\text{Interest} / \text{Total Debt}) \times (1 - \text{Tax Rate})$$

Table 1 Cost of Debt

Year	Tax Rate (%)	Kd (%)
2019	30%	4.14%
2020	30%	14.91%
2021	30%	18.27%
2022	30%	11.99%
2023	30%	10.34%

Source: Annual Reports, KELTRON

Interpretation: The cost of debt of KELTRON Equipment Complex fluctuated over the study period. It was lowest in 2019 at 4.14%, and rose sharply up to 18.27% for 2021, which shows a higher cost of borrowing in that year compared to the amount of debt outstanding. The debt management ratio improved from 19.25% in 2021 to 11.99% in 2022 and eventually to 10.34% in 2023 and this lowered the financial burden on the company.

Cost of Equity (Ke)

Cost of equity is the return that the shareholders will expect from the company's investment. It is computed as:

$$\text{Net Profit/SPE} \times 100 = K_e$$

Table 2 Cost of Equity

Year	Net Profit (₹ Lakhs)	Shareholders' Equity (₹ Lakhs)	Ke (%)
2019	315.41	674.43	46.77%
2020	523.61	597.74	87.60%
2021	334.14	931.87	35.86%
2022	4,468.45	5,400.32	82.74%
2023	2,257.40	24,688.52	9.14%

Source: Annual Reports, KELTRON

Interpretation: It can be seen that the cost of equity of KELTRON Equipment Complex had a very erratic trend throughout the study period. In 2019 it was 46.77% and jumped significantly to 87.60% in 2020 because of less equity base in comparison with profit. It has reduced to 35.86% in 2021, which shows a better equity position. However, it rose again to 82.74% in 2022 due to a significant increase in profits. It declined significantly in 2023 to 9.14% due to a significant increase in the equity base. This trend is the result of profitability and equity structure variations.

Capital Structure

Capital structure is the ratio of equity and debt financing in the firm's capital structure. The weight of equity (We) and debt (Wd) are defined as::

$$\text{We} = \text{Equity} / \text{Total Capital} \quad | \quad \text{Wd} = \text{Debt} / \text{Total Capital}$$

Table 3 Capital Structure

Year	We	Wd
2019	0.0736	0.9264
2020	0.1206	0.8794
2021	0.1958	0.8042
2022	0.4564	0.5436
2023	0.7327	0.2673

Source: Annual Reports, KELTRON

Interpretation: This is evident in the capital structure of KELTRON Equipment Complex as there was a significant and obvious change in the structure of capital during the study period. The company was very much in debt in 2019, as it had employed 92.64% of its capital in debt. In the following years, the equity percentage gradually went up and in 2023 it accounted for 73.27% of the total capital. This significant increase in the equity component reflects the company's increased

profitability, build-up of retained earnings and the decision to reduce the use of borrowed funds, leading to a well-balanced and well-positioned capital structure.

Calculate the Weighted Average Cost of Capital (WACC) for a company. Determine a company's Weighted Average Cost of Capital (WACC).

WACC is the weighted average cost of all the sources of funds in the capital structure. It is computed as:

$$WACC = (W_e \times K_e) + (W_d \times K_d)$$

Table 4 Weighted Average Cost of Capital (WACC)

Year	Ke (%)	We	Kd (%)	Wd	WACC (%)
2019	46.77%	0.0736	4.14	0.9264	7.27%
2020	87.60%	0.1206	14.91	0.8794	23.68%
2021	35.86%	0.1958	18.27	0.8042	21.72%
2022	82.74%	0.4564	11.99	0.5436	44.29%
2023	9.14%	0.7327	10.34	0.2673	9.46%

Source: Annual Reports, KELTRON

Interpretation: The trend of the WACC of the KELTRON Equipment Complex was very volatile during the study period. It was relatively low at 7.27% in 2019, but increased sharply to 23.68% in 2020 and 21.72% in 2021 due to higher cost of debt. It has also reached its peak at 44.29% in 2022, mainly due to the high cost of equity compared to the equity base. WACC fell significantly in 2023, to 9.46%, with the massive rise in equity and the reduction in the cost of equity. In the last year, the WACC has decreased, reflecting better capital cost efficiency and financial management as a whole.

Profitability Ratio Analysis

Profitability analysis measures the efficiency of the company to use its assets and revenues to generate profit. The following key profitability ratios have been examined.

Gross Profit Ratio

Gross Profit Ratio is the ratio of the profit before the deduction of cost of goods sold and the revenue. It is a measure of the company's ability to control its direct production expenses.

$$\text{Gross Profit Ratio (\%)} = (\text{Gross Profit} / \text{Net Sales}) \times 100$$

Table 5 Gross Profit Ratio

Year	Net Sales (₹ Lakhs)	Gross Profit (₹ Lakhs)	Gross Profit Ratio (%)
2021	45,216.60	9,553.56	21.13%
2022	44,389.99	8,721.14	19.65%
2023	45,001.05	8,803.38	19.56%
2024	51,727.49	12,511.59	24.18%
2025	47,133.36	12,171.45	25.82%

Source: Annual Reports, KELTRON

Interpretation: KELTRON Equipment Complex's gross profit ratio was slightly decreasing trend in the first few years, declining from 21.13% in 2021 to 19.56% in 2023, suggesting that there must be a rise in the cost of production or materials during this time. However, it improved

to 24.18% from 2024, and further to 25.82% in 2025, as it is demonstrating better cost control and improving operational efficiency. As a whole, the trends indicate improvement of the company's direct production cost management.

Net Profit Ratio

Net Profit Ratio is the ratio of net profit to total revenue, excluding all costs, expenses, interest and taxes.

$$\text{Net Profit Ratio (\%)} = (\text{Net Profit} / \text{Net Sales}) \times 100$$

Table 6 Net Profit Ratio

Year	Net Sales (₹ Lakhs)	Net Profit (₹ Lakhs)	Net Profit Ratio (%)
2019	45,216.05	315.41	0.70%
2020	44,389.99	523.61	1.18%
2021	45,001.05	334.14	0.74%
2022	51,727.49	4,468.45	8.64%
2023	47,133.36	2,257.40	4.79%

Source: Annual Reports, KELTRON

Interpretation: The ratio of net profit for KELTRON Equipment Complex had a fluctuating trend in the study period. It was low at 0.70% in 2019 and improved slightly to 1.18% in 2020. In 2021 it fell back to 0.74%, reflecting a squeeze on profits. There was a considerable increase in 2022 when the ratio was 8.64%, then 4.79% in 2023. In general, the trend shows that profitability is improving significantly, especially during the last few years of the study period.

ROI: Return on Assets (ROA)

Return on Assets is an indicator of how efficiently the company uses all its assets to make a profit.

$$\text{ROA (\%)} = (\text{Net Profit} / \text{Total Assets}) \times 100$$

Table 7 Return on Assets

Year	Net Profit (₹ Lakhs)	Total Assets (₹ Lakhs)	ROA (%)
2019	315.41	60,801.99	0.52%
2020	523.61	60,987.56	0.86%
2021	334.14	75,298.81	0.44%
2022	4,468.45	85,869.82	5.20%
2023	2,257.40	95,256.35	2.37%

Source: Annual Reports, KELTRON

Interpretation: The return on assets of KELTRON Equipment Complex had a wavy pattern throughout the period of study. It was low at 0.52% in 2019 and improved to 0.86% in 2020. It fell to 0.44% in 2021, signifying the reduced efficiency of asset utilization. In 2022, it increased sharply to 5.20%, which is very much higher than profitability over the asset base. It fell to 2.37% in 2023, but was still higher than the previous years. It shows generally improving efficiency in asset utilization.

Operating Profit Ratio

The Operating Profit Ratio measures the operating profit as a percentage of the net sales to receive the efficiency of core business activities.

$$\text{Operating Profit Ratio (\%)} = (\text{EBIT} / \text{Net Sales}) \times 100$$

Table 8 Operating Profit Ratio

Year	Net Sales (₹ Lakhs)	EBIT (₹ Lakhs)	Operating Profit Ratio (%)
2019	45,216.60	667.00	1.47%
2020	44,389.99	1,173.79	2.65%
2021	45,001.05	1,033.00	2.30%
2022	51,727.49	3,682.11	7.12%
2023	47,133.36	3,063.23	6.50%

Interpretation It went up from 1.47% in 2019 to 2.65% in 2020, which shows good performance of operations. Slightly reduced to 2.30% in 2021, and then rapidly increased to 7.12% in 2022, it indicates excellent operational efficiency. In 2023, it remained high at 6.50%. The overall trend shows that there is better control over operating costs and better core business performance.

Solvency Ratio Analysis

Solvency ratios indicate the company's financial leverage, short-term and long-term. The following analysis is conducted on the key solvency ratios.

Current Ratio

Current Ratio is a ratio that indicates how well the company is able to pay its short-term debts from its short-term assets. The higher the ratio, the better the liquidity position.

Current ratio, the ratio of current asset to current liability, is written as Current Assets/Current Liabilities

Table 9 Current Ratio

Year	Current Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Current Ratio
2019	43,426.84	29,209.44	1.49
2020	49,714.84	27,383.23	1.82
2021	55,050.55	37,742.79	1.46
2022	62,200.54	40,656.28	1.53
2023	63,369.76	35,708.12	1.77

Source: Annual Reports, KELTRON

The current ratio of KELTRON Equipment Complex was in a stable trend during the study period. The liquidity position is better, with a level of 1.49 in 2019 and 1.82 in 2020. It fell to 1.46 in 2021 but stayed above the benchmark of 1.0. The ratio improved again to 1.53 in 2022 and 1.77 in 2023. In general, the condition of the liquidity position is satisfactory and the capacity to pay short-term obligations is consistent in the study period.

Debt Equity Ratio

Debt Equity Ratio is the ratio of debt and equity of the company. A lower ratio means that a business is more financially stable and is less financially risky.

The debt equity ratio is calculated using the formula: Total Debt / Shareholders' Equity

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$

Table 10 Debt Equity Ratio

Year	Total Debt (₹ Lakhs)	Shareholders' Equity (₹ Lakhs)	Debt Equity Ratio
2019	8,482.93	674.43	12.58
2020	4,360.16	597.74	7.30
2021	3,826.02	931.87	4.10
2022	6,432.74	5,400.32	1.19
2023	9,006.77	24,688.52	0.36

Source: Annual Reports, KELTRON

Interpretation: The continuous and remarkable trend during the study period was that the debt-equity ratio of KELTRON Equipment Complex decreased continuously and significantly. In 2019, it was extremely high, at 12.58. This ratio continued to decrease over time: 7.30 in 2020 and 4.10 in 2021. It also increased to 1.19 in 2022 and down to a very low level of 0.36 in 2023, which means that equity funds are the dominant source of financing business operations. This improvement is a positive and consistent shift in capital structure of the business towards financial stability.

Interest Coverage Ratio

Interest Coverage Ratio is the ability of the company to meet its interest obligations with its operating income. A higher ratio means that the company will be better able to meet its debt obligations.

$$\text{Interest Coverage Ratio} = \frac{\text{Earning before interest and taxes}}{\text{Interest}}$$

Table 11 Interest Coverage Ratio

Year	EBIT (₹ Lakhs)	Interest (₹ Lakhs)	Interest Coverage Ratio
2019	667.00	351.59	1.90
2020	1,173.79	650.18	1.81
2021	1,033.00	698.86	1.48
2022	3,682.11	771.16	4.77
2023	3,063.23	931.55	3.29

Source: Annual Reports, KELTRON

Interpretation: Over the course of study, the interest coverage ratio of KELTRON Equipment Complex was observed to experience some fluctuations. In the year 2019 it was 1.90 while in 2020 it marginally decreased to 1.81 and in 2021 it came down to 1.48, which suggests lower capability to pay interest payments in those years. In 2022, there was a big improvement, reaching a ratio of 4.77, which represents much higher earnings compared to interest commitments. It dipped slightly in 2023, to 3.29, but was still good and healthy. Overall, the pattern suggests an increase in the capacity to service interest.

Trend Analysis

Trend analysis compares the changes in key financial variables over periods of time, with the base year set as FY 2019 (index = 100) to see if they are growing or declining or remaining stable.

Revenue Trend

Revenue trend looks at changes in the firm’s net sales in a direction compared to the base year during the study period.

$$\text{Trend \%} = (\text{Current Year Value} / \text{Base Year Value}) \times 100$$

Table 12 Revenue Trend

Year	Revenue (₹ Lakhs)	Base Year (₹ Lakhs)	Trend (%)
2019	45,216.60	45,216.60	100%
2020	44,389.99	45,216.60	98%
2021	45,001.05	45,216.60	99.52%
2022	51,727.49	45,216.60	114.39%
2023	47,133.36	45,216.60	104.24%

Source: Annual Reports, KELTRON

Interpretation Revenue was relatively stable in the first few years around 98-100% of the base year. In 2022, there was a notable increase with revenue climbing to 114.39% of the base year, reflecting robust business growth. It moderated to 104.24% in 2023. This trend indicates that although revenue generation went up overall, it was still reliant on market conditions.

Net Profit Trend

Net profit trend illustrates the net profit direction of the company in relation to the base year, thus giving an overall view of the company’s profitability trajectory.

Table 13 Net Profit Trend

Year	Net Profit (₹ Lakhs)	Base Year (₹ Lakhs)	Trend (%)
2019	315.41	315.41	100%
2020	523.61	315.41	166%
2021	334.14	315.41	105%
2022	4,468.45	315.41	1416%
2023	2,257.40	315.41	715%

Source: Annual Reports, KELTRON

Interpretation: There is very good improvement in the trend of net profit in the study period. From a base of 100% in 2019, net profit grew to 166% in 2020 and moderated to 105% in 2021. In 2022, the trend value was a stunning 1416% growth, highlighting the exceptional profit growth at the time due to the favorable market conditions and cost efficiency. In 2023, it has dropped to 715%, which is still profitable, compared to the base year.

Expenses Trend

Expenses trend shows the rate of change in the company’s expenses compared to the base year, offering insight into company cost management performance.

Table 14 Expenses Trend

Year	Trend (%)
2019	100%
2020	101%

2021	102%
2022	110%
2023	102%

Source: Annual Reports, KELTRON

However, the total expenses are seen to be increasing gradually and moderately during the study period and touched up to 101% in 2020 and 102% in 2021. The increase was higher in 2022 with a figure of 110%, due to a rise in business activity and scale. Expenses for 2023 reduced to 102% of the base year, reflecting better cost control. In general, expenditure was kept under control during the period.

Total Assets Trend

Total assets trending: Trend of the total assets in the study period representing the growth/ investment activities of the company.

Table 15 Total Assets Trend

Year	Total Assets (₹ Lakhs)	Base Year (₹ Lakhs)	Trend (%)
2019	60,801.99	60,801.99	100%
2020	60,987.56	60,801.99	100%
2021	75,298.81	60,801.99	123%
2022	85,869.82	60,801.99	141%
2023	95,256.35	60,801.99	156%

Source: Annual Reports, KELTRON

The trend for total assets is constant and continuous upwards during the period of the study. After remaining stable at 100% in 2020, total assets grew significantly to 123% in 2021, 141% in 2022, and 156% in 2023. This shows the consistent growth of the company's asset base on continued capital investment, which suggests the company's overall financial position is improving.

Findings

- The cost of debt also had fluctuations over the study period reaching the peak of 18.27 % in 2021 and then falling to 10.34 % in 2023, which shows that the management in borrowing has improved in recent years.
- The cost of equity has been very fluctuating with a peak of 87.60% in 2020 and dropping significantly to 9.14% in 2023, which depicts the variation in profitability as well as equity base.
- The capital structure also drastically transformed from a highly leveraged capital structure in 2019 ($W_d = 0.9264$) to a highly leveraged capital structure in 2023 ($W_e = 0.7327$), indicating a significant reduction in financial risk.
- The WACC was unstable over the period, reaching its peak in 2022 at 44.29%, but dropping significantly in 2023 to 9.46%, reflecting significantly better capital cost efficiency.
- The gross profit ratio has risen from 21.13% to 25.82% in the study period, which indicates that the direct production and material costs are better controlled.
- The net profit ratio improved overall from 0.70% in 2019 to 8.64% in 2022, decreasing to 4.79% in 2023, but showing that despite the ups and downs, there is significant profitability improvement.

- The asset turnover ratio also increased significantly over the past few years, peaking at 5.20% in 2022, which indicates that the company's assets are being used more efficiently to generate revenue.
- Operating profit ratio continues to improve, rising from 1.47% in 2019 to 7.12% in 2022, indicative of more robust core business performance and cost efficiency.
- The debt-equity ratio shrank significantly from 12.58 in 2019 to 0.36 in 2023, reflecting an outstanding increase in financial stability and decrease in financial risk.
- The interest coverage ratio increased from 1.48 in 2021 to 4.77 in 2022 and stood at 3.29 in 2023, showing a greater capacity to pay interest on debt based on their operational earnings.

Suggestions

1. The company should strive to further lower the cost of debt by negotiating with the lenders for better terms and conditions, such as lower interest rates, and also opting for longer duration loans on which the interest burden is less.
2. To ensure steady growth for profit, a consistent cost of equity should be aimed for, which will also reduce the volatility in the WACC, giving financial stability to the investor.
3. The company should have a balanced capital structure that involves proper utilisation of debt-equity ratio to ensure that it achieves additional returns without taking undue risk.
4. Structured financial planning should be followed to limit sharp movements of WACC by improving the forecasting of earnings and taking proactive adjustments in capital structure.
5. The business needs to better control costs in production, logistics and overheads to boost gross profit and net profit margins.
6. Measures to improve operational efficiency, such as process automation and lean manufacturing, would lower per unit costs and improve the operating profit ratio.
7. The growing asset base should be better utilized by regular review of assets, disposal of idle assets and redirecting resources to high return productive projects.
8. The company should have the right amount of debt to take maximum advantage of the tax benefit of deductible interest, but not to sacrifice its solvency.
9. Expanding into new markets and investing in new electronic product segments, which would diversify their revenue.
10. Financial monitoring on a regular quarterly basis, based on financial targets set for key financial ratios, such as WACC, debt-equity ratio and ROA, would help in taking timely corrective measures and continuous improvement in finances.

Conclusion

The present study has focused on the impact of COC on Profitability on the KELTRON Equipment Complex, Thiruvananthapuram for the period 2019 to 2023. The analysis points to a remarkable, and commendable, financial metamorphosis, which was achieved through some healthy management of capital structure, better profitability and better operational efficiency.

The cost of capital analysis illustrates that the company has increasingly shifted towards using less high cost capital financing and significantly improved its equity base. This fundamental structural improvement is reflected in the dramatic drop in debt-equity ratio from 12.58 in 2019 to 0.36 in 2023. Despite the fluctuations in profitability and capital proportions, the WACC is still quite volatile and fell significantly in 2023 to 9.46%, showing that the company's overall cost of capital is becoming more favourable and efficient.

Profitability ratios were observed on gross profit ratio, net profit ratio, return on assets and operating profit ratio which all improved meaningfully during the study period, especially since

2022. This shows that the cost of capital has decreased, and the capital structure has become more favourable, which has positively influenced the company's profitability. The current ratio remained consistently above 1.0 during the period, reflecting satisfactory liquidity and the interest coverage ratio improved and remained at healthy levels indicating a strong and improved capacity to service financial obligations.

There are still places that need to be addressed. The volatility of WACC and cost of equity indicates that there is a need for more stable earnings management and equity planning. To maintain the improvements gained, continued emphasis will be placed on cost control, revenue diversification, and asset efficiency. A summary of the overall financial performance of KELTRON Equipment Complex has been good, and if it continues to practice good financial management, it should be able to attain better profitability and stability in the long run.

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