

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF TEXTILE INDUSTRIES IN INDIA

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ABSTRACT: *The Indian textile sector is growing at a rapid pace and is getting international recognition. It is also taking adequate measures for the development of export oriented products, attracting new investments both domestic and foreign. Besides this sector has significant importance of employment generation, industrial, social and economical in nature. Hence, this study focuses on financial performance and analysis of top textile industries in India and also predicts the trend value of selected textile industry. This study would help the shareholders, the investors, policymakers, managers, researchers and people who are involved in financial decision.*

Key Words:

INTRODUCTION

Indian textile industry largely depends upon textile manufacturing and export. It also plays a vital role in the economy of the country. India earns about 30 per cent of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14 per cent of the total industrial production of the country. It also contributes around 3 per cent to the industry Gross Domestic Product (GDP) of the country. The Indian textile industry is also the largest in the country in terms of generating employment opportunities, currently generates employment opportunity for more than 35 million people. The Indian textiles and apparel industry is expected to grow to a size of US\$ 223 billion by 2021, according to a report by Technopak Advisors. This industry accounts for almost 24% of the world's spindle capacity and 8% of global rotor capacity.

On the other hand, in major developed countries, the output of woven products will remain stable. Weaving process is conducted to make fabrics for a broad range of clothing assortment, including shirts, jeans, sportswear, skirts, dresses, protective clothing etc., and also used in non-apparel uses like technical, automotive, medical etc.

STATEMENT OF PROBLEM

Industries are providing one of the most basic needs of people to maintain sustained growth for improving standard of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-addition at each stage of process. It is a major contribution to the country's economy. At present the textile industries are affected by so many problems such as, shortage of power, shortage of working capital, shortage of raw material, obsolete technology under-utilization of capacity, shortage of labor, inability to meet interest commitments, non-payment of loans, non-provision of depreciation, absence of sound infrastructure support, high cost of production, poor profitability and managerial incompetence. These factors ultimately have an adverse impact on profit of the industries. The overall financial performance is an important factor which indicates the growth of an industry that comprises growth rate, trend value and efficiency. Hence this study made an attempt to analyze the financial performance of textiles industries.

OBJECTIVE OF THE STUDY

- To study the growth of top five textile industries in India.

SCOPE OF THE STUDY

The scope of the study is limited to top five textile industries in India. The research provides sufficient information of the financial performance analysis of selected textile companies in India. The research is used to know and understand whether the companies has planned the financial requirement

properly, to know whether the industry having adequate current asset and own funds to pay off its liabilities, to know the efficiency position of the companies.

RESEARCH METHODOLOGY

Source of information

The study is based on secondary data. Secondary data has been collected from various sources like Research papers, reports published by IBEF and from Annual Reports of the sample unit and to supplement the data different publications, various books, journals and different websites related to textile industry have been used for better reliability.

Period of the study

The study period covers from September 2017 to March 2018

The study data covers period of five financial years from 2012-2013 to 2016-2017.

Sampling

Top five textile industries are taken for the study. They are,

1. Welspun India Ltd
2. Vardhman Ltd
3. Alok industry Ltd
4. Raymond Ltd
5. Arvind mills Ltd

Tools for Analysis

- Growth rate analyzed for sales turnover

LIMITATIONS OF THE STUDY

- The study carries all the limitations inherent with the secondary data and financial information.
- The study restricted to selected companies for the period of five years only.
- Various accounting and statistical tool extensively used for the study have their own incidental limitations.

REVIEW OF LITERATURE

Marimuthu (2012) in his study, “Financial performance of Textile industry : A study of listed company of Tamil Nadu” and its explores states that Coimbatore is known as Manchester of South India. 76% of India's total textile market is from Erode (Tex-City or Loom-City of India) and 56% of knitwear exports come from Tirupur. Each company could invest on the basis of current performance compared with previous year or with other company. Decision making, additional investment, liquidity position changes in working capital depend upon the performance & return of company reports. Funds are highly required for day to-day business operations of the firm and how to utilize it and in what way should avoid loses from the investment are discussed here plus, it happens by ineffective management. The objective of the paper is to analyze the performance of textile industry in the selected companies from Tamil Nadu. In addition, the data collected from the CMIE and used the tools of ANOVA and descriptive statistics. The study concluded among the five companies these two companies i.e. KPR mill ltd and Rajapalayam mills ltd financial position was good.

Indhumathi, et al., (2013) in her research “A study on financial performance of selected textile companies in India” from the year 2001 to 2010 they made an attempt to know the profitability and financial position of selected textile companies. Tools that used for the study is profitability ratio, overall financial position. They found that the overall financial performance of selected textile companies was not stable. It fluctuates. To strengthen the financial position, long term funds have to be used to finance. The companies should try to use properly their operating assets and minimize their non-operating expenses.

Subha, et al.,(2014) in her study “Financial performance of textile industry in Tamil Nadu with special reference to Coimbatore” from the year 2004 - 2013. The objective of the study is to analyzed the profitability of selected textile companies in Coimbatore. Tools used in the study is ratios, common size balance sheet, comparative balance sheet. They had concluded that the financial performance of Ambika cotton mills ltd, Bannari Amman spinning mills ltd and KG Denim ltd was good, where as it was not satisfactory for Gangotri textile ltd and Lakshmi mills ltd due to negative.

ANALYSIS AND INTERPRETATION

TABLE 1
GROWTH RATE FOR WELSPUN INDIA LTD

Year	Actual value	AGR	CAGR
2012-13	2,862.40		
2013-14	3295.46	15.13%	
2014-15	4,111.91	24.77%	
2015-16	4,650.60	13.10%	
2016-17	5,178.56	11.35%	
AAGR		16.09%	
CAGR			15.98%

Source-secondary data

INFERENCE

The above table represents the Annual Growth rate and Compound annual growth rate for welspun ltd for the period 2012-13 to 2016-17. The AGR is high in the year 2014-15 with 24.77% and it is low in the year 2016-2017 with -11.35%. The Average annual growth rate is 16.09%. The compound annual growth rate is 15.98%.

TABLE 2
GROWTH RATE FOR VARDHMAN LTD

Year	Actual value	AGR	CAGR
2012-13	8,081.86		
2013-14	5063.69	-37.34%	
2014-15	5,606.70	10.72%	
2015-16	5,468.15	-2.47%	
2016-17	5,578.29	2.01%	
AAGR		-6.77%	
CAGR			-8.85%

Source-secondary data

INFERENCE

The above table represents the Annual Growth rate and Compound annual growth rate for vardhaman ltd for the period 2012-13 to 2016-17. The AGR is high in the year 2014-15 with 10.72% and it is low in the year 2013-2014 with -37.34%. The Average annual growth rate is -6.77%. The compound annual growth rate is -8.85%.

TABLE 3
GROWTH RATE FOR ALOK INDUSTRY LTD

Year	Actual value	AGR	CAGR
2012-13	8,900.86		
2013-14	19903.38	123.61%	
2014-15	22,115.17	11.11%	
2015-16	11,744.42	-46.89%	
2016-17	8,123.09	-30.83%	

AAGR		14.25%	
CAGR			-2.26%

Source-secondary data**INFERENCE**

The above table represents the Annual Growth rate and Compound annual growth rate for alok industry ltd for the period 2012-13 to 2016-17. The AGR is high in the year 2013-14 with 123.61% and it is low in the year 2015-2016 with -46.89%. The Average annual growth rate is 14.25%. The compound annual growth rate is -2.26%.

TABLE 4
GROWTH RATE FOR RAYMOND LTD

Year	Actual value	AGR	CAGR
2012-13	2,002.41		
2013-14	2147.9	7.27%	
2014-15	2,607.15	21.38%	
2015-16	2,757.26	5.76%	
2016-17	2,785.07	1.01%	
AAGR		8.85%	
CAGR			8.60%

Source-secondary data**INFERENCE**

The above table represents the Annual Growth rate and Compound annual growth rate for Raymond ltd for the period 2012-13 to 2016-17. The AGR is high in the year 2014-15 with 21.38% and it is low in the year 2016-2017 with 1.01%. The Average annual growth rate is 8.85%. The compound annual growth rate is 8.60%.

TABLE 5
GROWTH RATE FOR ARVIND MILLS LTD

Year	Actual value	AGR	CAGR
2012-13	3,679.28		
2013-14	4632.72	25.91%	
2014-15	4,974.41	7.38%	
2015-16	5,189.63	4.33%	
2016-17	5,627.59	8.44%	
AAGR		11.51%	
CAGR			11.21%

Source-secondary data**INFERENCE**

The above table represents the Annual Growth rate and Compound annual growth rate for arvind mills ltd for the period 2012-13 to 2016-17. The AGR is high in the year 2013-14 with 25.91% and it is low in the year 2015-2016 with 4.33%. The Average annual growth rate is 11.51%. The compound annual growth rate is 11.21%.

FINDINGS, SUGGESTION AND CONCLUSION**GROWTH RATE**

Highest annual growth rate obtain in Welspun India Ltd is 16.09 per cent, lowest annual growth rate obtain in Vardhman Ltd is -6.77 per cent and highest compound annual growth rate obtain in Welspun India Ltd is 15.98 per cent, lowest obtain in Vardhman Ltd is -8.85 per cent.

SUGGESTION

Vardhman Ltd and Alok industry Ltd have to focus on the net profit and sales and to improve the profitability position .Both the industries have to increase the sales or to reduce the cost. Alok industry Ltd must improve the efficiency position by maintaining the cost and increasing the sales and both the industries can improve their profitability to satisfy their shareholders and stand in good position in the market. In order to increases the financial efficiency of the selected textile industries, it is suggested to control the cost of goods sold and operating expenses. The textile industries can reduce power and fuel consumption by using lignite and agro waste product especially ground nut husk should be used as coal substitute. For regular supply of raw materials and final product infrastructure facilities require for further improvement in the industry.

CONCLUSION

The study concludes that there is a significant difference in the financial performance of all textile industries in terms of growth rate, trend analysis, efficiency position. Welspun India Ltd has been leading in all textile industries in terms of growth rate followed by Arvind mills Ltd, Raymond Ltd. Arvind mills Ltd maintaining better position by keeping current assets level above current liabilities. The study is especially useful for the policy makers, textile companies, investors and researchers. The textile companies can use this study for better financial management.

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