

## **A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SELECTED TEXTILE COMPANIES IN INDIA**

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**ABSTRACT:** The Indian textile industry is one of the largest in the world after China with a massive raw material and textiles manufacturing base. This sector has played a pioneered role in growth and upliftment of country. This sector has contributed seven per cent of the industry output (in value terms) of India in 2018-19. This sector has generated employment for more than 45 million people, and further this contributed fifteen percent share to the country's export. It contributed seven per cent to the GDP of India and employs more than 45 million people in 2018-19. Apparel constituted for around three-fourth of the total textile and apparel market in India. Presently, Indian textile sector is growing at a rapid pace and is getting international recognition. Indian domestic textile and apparel market was US\$ 100 billion in 2018-19, which is expected to grow to US\$ 220 billion by 2025 at a CAGR of 12%. This sector 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. Further 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 losses from the investment are discussed here plus, it happens by ineffective management. Hence the present study aims to analyze the financial performance of textile industry in the selected Indian textile companies. In addition, the data is collected from the CMIE and used the tools of ANOVA and descriptive statistics. This study results would help the shareholders, the investors, policymakers, managers, researchers and people who are involved in financial decision.

**KEY WORDS:** *Textile industry, growth rate, Compound Annual Growth Rate (CAGR), financial performance, trend analysis, efficiency position.*

## **INRODUCTION**

The Indian textile industry is one of the largest in the world after China with a massive raw material and textiles manufacturing base. This sector has played a pioneered role in growth and upliftment of country. India earns about 30 per cent of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly fifteen per cent of the total industrial production of the country. It also contributes around seven 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 45 million people. Indian textile sector is growing at a rapid pace and is getting international recognition. Indian domestic textile and apparel market was US\$ 100 billion in 2018-19, which is expected to grow to US\$ 220 billion by 2025 at a CAGR of 12%. . 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. The textile and apparel industry can be broadly divided into two segments: Yarn and fibre (include natural and man-made) and processed fabrics (including woolen textiles, silk textiles, jute textiles, cotton textiles and technical textiles), Readymade Garments (RMGs) and apparel.

## **REVIEW OF LITERATURE**

- **Virambhai (2010)** textile industry productivity and financial efficiency focused on industry's current position and its performance. It concluded the company/management should try to increase the production, minimize the cost and operating expenses, exercise proper control on liquidity position, reduction of power, fuel, borrowing funds, overheads, interest burden, etc.
- **Zahid and Nanik (2011)** concludes the overall performance of the textile sector was adversely affected by crisis through analysis of income statement, debt payment ability, management and inventory sales, receivables, productivity, fixed assets, etc
- **Rakesh and Kulkarni (2012)** analyzed the Gujarat textile industry working capital evaluation on selected five company for the eleven years and performed ratio analysis, descriptive statistics etc. The study concluded with all the company financial performance with sound effective as well as current and quick ratio, current asset on total asset, sales, turnover etc. are analyzed with the help of hypothesis and used ANOVA. In this research also researcher followed this attributes.

- **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.

### **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, nonpayment 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. Most of the studies have talked about Indian textile industry, their growth and contributions, problems and challenges faced in totality but we have very less studies available focusing on individual textile companies and their financial performance. Hence the present study aims to analyze the financial performance of selected textiles companies which has been termed as top key players in this segment on the basis of sales at BSE as on Mar, 2019. This selected is been done for the reason that this sector contributes seven per cent to the GDP of India and employs more than 45 million people in 2018-19 and as well as exporting highly 30% of textile i.e. apparel and knitwear from India.

### **OBJECTIVE OF THE STUDY**

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

### **SCOPE OF THE STUDY**

The scope of the study is limited to top five textile companies in India. The five textile companies have been selected on the basis of maximum sales in the year 2019. 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**

- a) Source of information:** The study is based on secondary data and data is majorly collected from PROWESS database of CMIE (Center for Monitoring Indian Economy) and www.money.control site. Other sources of secondary data includes 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.
- b) Period of the study:** The study data covers period of five financial years from 2014-2015 to 2018-2019.

c) **Sampling:** Top five textile industries are taken for the study. The five textile companies have been selected on the basis of maximum sales in the year 2019. The five textile companies are:

1. Arvind Ltd: Spinning, weaving, processing and garment production (denims, shirting, khakis and knitwear)
2. Vardhman Textile Ltd: Yarn, fabric, sewing threads, acrylic fiber
3. Welspun India Ltd: Home textiles, bathrobes, terry towels
4. Raymond Ltd: Worsted suiting, tailored clothing, denim, shirting, woolen outerwear
5. Trient Ltd: Terry towel, yarn, bed and bath linen

d) **Tools for Analysis:** Growth rate analyzed for sales turnover

e) **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.

### ANALYSIS AND INTERPRETATION

**TABLE 1: GROWTH RATE FOR ARVIND LTD**

Year	Actual value	AGR	CAGR
2014-15	5,224.69		
2015-16	5407.26	3.49%	
2016-17	5,980.96	10.61%	
2017-18	6,420.42	7.35%	
2018-19	6,435.96	0.24%	
<b>AAGR</b>		<b>5.42%</b>	
<b>CAGR</b>			<b>4.26%</b>

**Source-secondary data**

**INFERENCE:** The above table represents the Annual Growth rate and Compound annual growth rate for Arvind Ltd for the period 2014-15 to 2018-19. The AGR is high in the year 2016-17 with 10.61% and it is low in the year 2018-2019 with 0.24%. The Average annual growth rate is 5.42%. The compound annual growth rate is 4.26%.

**TABLE 2: GROWTH RATE FOR VARDHMAN TEXTILES LTD**

Year	Actual value	AGR	CAGR
2014-15	5,742.04		
2015-16	5613.42	-2.24%	
2016-17	5,690.43	1.37%	
2017-18	5,851.27	2.83%	
2018-19	6,414.58	9.63%	
<b>AAGR</b>		<b>2.90%</b>	
<b>CAGR</b>			<b>2.24%</b>

**Source-secondary data**

**INFERENCE:** The above table represents the Annual Growth rate and Compound annual growth rate for Vardhman Textiles Ltd for the period 2014-15 to 2018-19. The AGR is high in the year 2018-19 with 9.63% and it is low in the year 2015-2016 with -2.24%. The Average annual growth rate is 2.90%. The compound annual growth rate is 2.24%.

**TABLE 3: GROWTH RATE FOR WELSPUN INDIA LTD**

Year	Actual value	AGR	CAGR
2014-15	4,407.56		
2015-16	4885.02	10.83%	
2016-17	5,639.33	15.44%	
2017-18	4,976.59	-11.75%	
2018-19	5,395.26	8.41%	
<b>AAGR</b>		<b>5.73%</b>	
<b>CAGR</b>			<b>4.13%</b>

**Source-secondary data**

**INFERENCE:** The above table represents the Annual Growth rate and Compound annual growth rate for Welspun India Ltd for the period 2014-15 to 2018-19. The AGR is high in the year 2016-17 with 15.44% and it is low in the year 2017-2018 with -11.75%. The Average annual growth rate is 5.73%. The compound annual growth rate is 4.13%.

**TABLE 4: GROWTH RATE FOR RAYMOND LTD**

Year	Actual value	AGR	CAGR
2014-15	2,645.32		
2015-16	2793.6	5.61%	
2016-17	2,822.18	1.02%	
2017-18	3,011.56	6.71%	
2018-19	3,276.39	8.79%	
<b>AAGR</b>		<b>5.53%</b>	
<b>CAGR</b>			<b>4.37%</b>

**Source-secondary data**

**INFERENCE:** The above table represents the Annual Growth rate and Compound annual growth rate for Raymond Ltd for the period 2014-15 to 2018-19. The AGR is high in the year 2018-19 with 8.79% and it is low in the year 2016-2017 with 1.02%. The Average annual growth rate is 5.53%. The compound annual growth rate is 4.73%.

**TABLE 5: GROWTH RATE FOR TRIDENT LTD**

<b>Year</b>	<b>Actual value</b>	<b>AGR</b>	<b>CAGR</b>
2014-15	3,753.55		
2015-16	3683.48	-1.87%	
2016-17	4,617.38	25.35%	
2017-18	4,565.96	-1.11%	
2018-19	5,219.52	14.31%	
<b>AAGR</b>		<b>9.17%</b>	
<b>CAGR</b>			<b>6.82%</b>

**Source-secondary data**

**INFERENCE:** The above table represents the Annual Growth rate and Compound annual growth rate for Trident Ltd for the period 2014-15 to 2018-19. The AGR is high in the year 2015-16 with 25.35% and it is low in the year 2015-2016 with -1.87%. The Average annual growth rate is 9.17%. The compound annual growth rate is 6.82%.

**FINDINGS, SUGGESTIONS AND CONCLUSION****GROWTH RATE**

Highest annual growth rate and highest compound annual growth rate is obtained in Trident India Ltd 9.17% and 6.82% respectively, further lowest annual growth rate and lowest compound annual growth rate is obtained in Welspun India Ltd is 2.90% and 2.24% respectively.

**SUGGESTION**

Trident India Ltd needs to focus on the net profit and sales and to improve the profitability position. Welspun India Ltd has to increase the sales or to reduce the cost. Further, it 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 increase 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, and efficiency position. Trident Ltd has been leading in all textile industries in terms of growth rate followed by Welpsun Ltd, Raymond Textile Ltd and Arvind Ltd are 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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