A STUDY ON FINANCIAL PERFORMANCE OF SELECTED TEXTILE COMPANIES IN INDIA

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Abstract
India's economy benefits significantly from the textile industry. It is one of India's biggest industries in terms of generating foreign exchange and jobs. After China, the Indian textile industry is the second largest in the world. More than 35 million people are employed by it, and it contributes to 16 percent of the nation's exports and roughly 9 percent of excise taxes. Textile exports account for about 27% of the nation's foreign exchange earnings. It accounts for around 14% of the nation's overall industrial production. The firm's daily operations depend heavily on funds, and this paper discusses how to use them and how to prevent investment losses. The objective of the paper is to analyze the performance of textile industry in the selected companies from India. This study will employ both descriptive and analytical research methodologies. Analysis is done using secondary data. The short- and long-term solvency ratios as well as the profitability condition of the chosen companies are discussed in this article.

Keywords— Textile Industry, Investment, Financial Performance

Introduction
Finance is regarded as the life blood of every business concern. This is because finance is one of the fundamental means of obtaining resources for employment in manufacturing and retailing in the contemporary money-oriented economy. The adage "business needs money only when it is properly managed" is accurate. Therefore, effective financial management is intimately related to effective business enterprise management. It is a more diverse and adaptable industry that is self-sufficient and autonomous. Cotton textiles have played a significant role in India's extensive and renowned textile industry history. India's cotton textile sector is well known throughout the world for producing high-quality goods. Indian cotton fabrics are known for their comfort, style, and longevity. The industry produces a wide range of products including fabrics, clothing, home furnishings and more. Over the years, and even now, the cotton textile industry has been a significant employer. The cotton textile sector boosts the economy through exports in addition to creating jobs. The industry has grown rapidly in recent years due to a number of causes, including better infrastructure, government efforts, and rising domestic and international demand. Positive macroeconomic indicators and rising consumer expenditure are likely to support the industry's continued robust growth in the upcoming years.

Objectives of the Study
1. To know the short term and long term solvency position of selected companies.
2. To analyse the Profitability position of the selected companies.

Research Methodology

Analytical Research methodology was used for the study. The study has been taken for five financial years from 2019-2020 to 2023-2024. Secondary data have been collected from Prowess Database.

Hypothesis of the study

The ratio of selected textile companies in India does not vary significantly among the companies.

Review of Literature

Dr. K. Vanaja , Ms. R. Priyadharshini , Indhumathi, 2023 The primary goal of this study is to research and analyze the financial performance of Bannari Amman Spinning Mills Limited. The study employs a combination of quantitative and qualitative methods to assess the financial health of the company including profitability, liquidity and solvency ratios. The findings suggest that the Bannari Amman Spinning Mills Ltd has shown strong financial performance over the years, with steady revenue growth and profitability. However, the company faces challenges related to changing market dynamics, rising raw material costs, etc., This study was conducted using secondary data gathered from several sources of evidence. This study will help investors to identify the nature of selected textile company and will also help to take decision regarding investment.

Heru Arianto , Augustina Kurniasiz , 2023 This study aims to determine the influence of financial performance factors and macroeconomic factors on financial distress in textile and garment companies in Indonesia. In this study, quantitative methods were used with causality research design. The study population is textile and garment companies listed on the Indonesia Stock Exchange in 2022. The research sample consisted of textile and garment sub-sector companies listed on the IDX for 5 consecutive years (2017-2021) and had audited financial statements. Companies that meet the sample criteria are 16 companies. Descriptive and inferential analyses are performed on the data. In inferential analysis, a panel data regression approach is used. The results showed that of the 9 research variables, there were 3 variables that had a significant influence on financial distress. Liquidity (CR) has a significant negative influence, Leverage (DAR) has a significant positive influence, and Activity (TATO) has a significant negative influence. Other variables such as profitability, sales growth, interest rates, exchange rates, world cotton prices and economic growth (GDP) do not affect financial distress.

Mr. N. Janaiah 2024 This study will be used on the liquidity ratio is the ratio that describes the company's ability to meet short-term liabilities, solvency ratio is the ratio that describes the company's ability to meet long term obligations and the profitability ratio is the ratio that measures the company's ability to generate profits. The four variables were used as proxy for checking the linear relationship between financial performance, liquidity, turnover and solvency are Return on Capital Employed (ROCE), Current Ratio (CR), Quick Ratio (QR), Inventory Turnover Ratio, Assets Turnover Ratio (ATR) and Debt Equity Ratio (DER) respectively for ten leading textile units working in India based on the market capitalization share.

Statistical Tools

The following are the statistical tools used to analyse the data
Ratio Analysis, Mean, Standard Deviation , CAGR, ANOVA

Limitations of the Study

1. The study is purely an analytical study and it depends on the published annual reports of the companies and records of statistical officials.
2. The researcher made the analysis for 5 years only.
3. The study is confined to only selected textile companies.

ANALYSIS AND INTERPRETATION

Short term and long term solvency ratios

Ratio	Year / Company	Alok	Arvind	Raymond	JCT	Bombay Dyeing	Lakshmi Mills	Grasim	Vardhman	Welspun	Siyaram
Current ratio	2019-20	1.49	1.36	1.54	1.32	0.83	0.56	0.69	2.51	1.47	1.44
	2020-21	1.25	1.42	1.75	1.35	0.8	0.65	0.78	2.21	1.15	1
	2021-22	1.57	1.35	1.95	1.6	0.88	0.62	0.73	2.58	1.32	0.97
	2022-23	0.9	0.96	1.9	1.56	0.98	0.72	0.83	3.65	1.22	0.69
	2023-24	0.82	0.88	2.03	1.61	0.91	0.68	0.88	2.61	1.29	0.66
	Mean	1.14	1.04	1.62	1.54	0.93	1.16	0.89	2.03	1.52	1.60
	S.D	0.28	0.25	0.29	0.36	0.11	0.74	0.23	0.94	0.35	0.79
	CAGR	-0.04	-0.01	0.02	0.05	0.01	-0.14	-0.02	0.13	-0.03	-0.13
Liquid ratio	2019-20	1.04	1.03	1.21	0.96	0.52	0.31	0.36	1.88	0.98	1.22
	2020-21	0.88	1.09	1.43	1.1	0.53	0.43	0.41	1.37	0.63	0.82
	2021-22	1.16	1.01	1.62	1.23	0.59	0.38	0.33	2	0.77	0.83
	2022-23	0.59	0.63	1.62	1.02	0.63	0.43	0.47	2.79	0.77	0.49
	2023-24	0.6	0.57	1.75	0.98	0.63	0.41	0.51	2.03	0.89	0.46
	Mean	0.72	0.73	1.22	1.16	0.54	0.88	0.56	1.50	1.07	1.37
	S.D	0.26	0.22	0.36	0.38	0.09	0.70	0.20	0.75	0.41	0.73
	CAGR	-0.01	-0.02	0.05	0.08	0.07	-0.17	-0.05	0.14	-0.05	-0.15
Debt Equity Ratio	2019-20	8.99	8.79	9.25	8.54	10.54	7.99	6.63	5.48	7.02	14.31
	2020-21	8.59	10.02	9.89	11.72	10.2	9.27	6.44	4.57	6.31	17.89
	2021-22	8.56	9.96	9.81	10.54	10.74	8.06	5.37	5.86	5.16	20.08
	2022-23	8.34	9.35	11.23	7.27	9.67	7.29	7	5.81	6.57	10.32
	2023-24	9.94	9.92	10.57	7.02	10.94	7.1	6.55	5.77	7.51	10.89
	Mean	8.93	9.44	10.08	9.98	9.84	8.09	7.36	7.00	8.61	15.6
	S.D	1.15	0.61	2.23	3.31	0.87	0.79	1.86	2.05	3.05	3.81
	CAGR	-0.01	0.05	-0.03	0.01	0.02	-0.02	-0.06	-0.06	-0.05	-0.03
Interest Coverage ratio	2019-20	17.71	14.96	17.9	6.06	2.93	3.11	21.77	14.78	15.46	11.53
	2020-21	18.48	14.41	19.6	13.1	2.1	15.51	18.93	11.08	14.82	13.61
	2021-22	13.63	9.44	12.67	20.12	-0.72	11.77	6.97	4.1	8.61	8.1
	2022-23	13.34	8.17	9.85	9.24	2.3	9.88	7.50	2.99	7.46	4.82
	2023-24	13.80	5.66	6.82	6.20	2.7	8.36	4.18	2.13	5.65	2.09
	Mean	19.11	16.98	20.42	19.89	13.12	15.17	19.12	16.81	13.79	14.37
	S.D	5.59	8.09	9.52	11.77	15.47	9.00	10.53	11.72	6.45	9.05
	CAGR	-0.07	-0.16	-0.16	-0.16	-0.26	-0.00	-0.20	-0.25	-0.14	-0.24

Source : Computed

INFERENCE
Current Ratio

The above table shows the analysis of current ratio. The mean value of current ratio varies among the companies . The highest mean value is 2.03 in Vardhman and the lowest mean value 0.89 in Grasim . The standard deviation for Vardhman 0.94 was found to be greater. It is also observed, that CAGR is negative in the case of Alok , Arvind , Laksmi Mills, Grasim, Welspun, Siyaram and the remaining companies have a positive growth.

Liquid Ratio

The above table shows the analysis of liquid ratio. The mean value of liquid ratio varies among the companies . The highest mean value is 1.50 in Vardhman and the lowest mean value 0.54 in Bombay Dyeing . The standard deviation for Vardhman 0.75 was found to be greater. It is also observed, that CAGR is negative in the case of Alok , Arvind , Laksmi Mills, Grasim, Welspun, Siyaram and the remaining companies have a positive growth.

Debt Equity Ratio

The above table shows the analysis of Debt Equity ratio. The mean value of Debt Equity ratio varies among the companies . The highest mean value is 15.6 in Siyaram and the lowest mean value 7.00 in Vardhman. The standard deviation for Siyaram 3.81 was found to be greater. It is also observed, that CAGR is negative in the case of Alok , Raymond, Laksmi Mills, Grasim, Vardhman, Welspun, siyaram and the remaining companies have a positive growth.

Interest Coverage Ratio

The above table shows the analysis of Fixed asset net worth ratio. The mean value of Fixed asset net worth ratio varies among the companies . The highest mean value is 20.42 in Raymond and the lowest mean value 13.12 in Bombay Dyeing. The standard deviation for Bomby dyeing 15.47 was found to be greater. It is also observed, that CAGR growth is negative for the selected companies during the study period.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Current Ratio	Between Companies	1.149	9	0.17	.458	*
	Within Companies	6.658	49	0.434		
	Total	7.807	58			
Liquid Ratio	Between Companies	.001	9	.000	.002	*
	Within Companies	2.127	30	.071		
	Total	2.128	39			
Debt Equity Ratio	Between Companies	181.107	10	21.235	31.193	*
	Within Companies	18.073	19	.604		
	Total	199.18	29			
Interest Coverage Ratio	Between Companies	290.50	9	32.278	14.253	*
	Within Companies	.000	20	.000		
	Total	290.50	29			

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Current Ratio
H_0: The Current ratio of selected textile companies in India does not vary significantly among the companies.

The calculated F-ratio value is .458 which is greater than 5 per cent level of significance. Hence, it is inferred that there is significant difference in the mean current ratio of selected textile industry. Hence, the null hypothesis is rejected.

Liquid Ratio
H_0: The Liquid ratio of selected textile companies in India does not vary significantly among the companies.

The calculated F-ratio value is .002 which is lesser than 5 per cent level of significant. Hence, it is inferred that there is no significant difference in the mean liquid ratio of selected textile industry. Hence, the null hypothesis is accepted.

Debt Equity Ratio

H_0: The debt equity ratio of selected textile companies in India does not vary significantly among the companies.

The calculated F- ratio value is 31.193 which is greater than 5 per cent level of significant. Hence, it is inferred that there is significant difference in the mean debt equity ratio of selected textile industry. Hence, the null hypothesis is rejected.

Interest Coverage Ratio

H_0: The Interest coverage ratio of selected textile companies in India does not vary significantly among the companies.

The calculated F-ratio value is 14.253 which is greater than 5 per cent level of significant. Hence, it is inferred that   there is significant difference in the mean interest coverage ratio of selected textile industry. Hence, the null hypothesis is rejected.

Profitability Ratios

Ratio	Year / Company	Alok	Arvind	Raymond	JCT	Bombay Dyeing	Lakshmi Mills	Grasim	Vardhman	Welspun	Siyaram
Net Profit ratio	2019-20	668.20	514.54	55.75	1004.35	89.46	111.12	137.56	297.31	363.94	140.42
	2020-21	735.83	604.97	63.09	1693.05	94.73	136.84	160.98	338.02	416.43	174.64
	2021-22	739.49	594.9	59.26	1604.68	98.64	149.65	154.79	391.71	399.82	174.78
	2022-23	796.72	642.61	65.23	1867.09	116.65	151.57	159.23	392.22	459.63	153.95
	2023-24	847.52	685.20	68.85	2078.37	129.18	159.49	167.82	416.93	493.16	153.46
	Mean	618.94	493.56	52.57	112.76	72.81	123.87	409.72	305.75	342.26	155.66
	S.D	159.07	131.94	11.34	649.92	38.87	25.03	577.67	75.98	102.54	28.20
	CAGR	0.08	0.09	0.05	0.29	0.19	0.07	-0.20	0.08	0.11	0.001
Return on Net worth ratio	2019-20	19.02	18.42	15.22	10.55	-2.61	1.92	18.78	10.69	13.75	9.25
	2020-21	17.43	14.37	14.73	22.62	-5.45	7.2	17.02	11.01	13.75	13.94
	2021-22	12.54	14	13.64	26.12	-8.09	3.99	5.54	5.13	5.51	7.13
	2022-23	10.68	7.28	4.31	26.46	1.44	1.27	-0.06	3.57	0.37	5.24
	2023-24	10.48	3.64	0.12	26.01	2.31	1.29	3.18	2.45	1.24	4.98
	Mean	21.58	20.01	18.98	28.02	11.75	10.37	19.82	19.41	14.62	17.39
	S.D	11.65	11.33	13.36	13.00	18.82	10.95	15.88	16.31	12.46	14.12
	CAGR	-0.14	-0.23	-0.47	0.17	-0.28	-0.14	-0.25	-0.28	-0.30	-0.21
Return on Asset	2019-20	469.22	383.09	52.59	570.13	22.82	115.23	86.16	290.34	184.32	96.05
	2020-21	555.65	393.23	57.09	784.77	21.65	132.42	99.62	318.17	242.74	107.06
	2021-22	623.45	416.78	61.36	1103.32	20.03	133.14	104.3	328.04	251.47	110.75
	2022-23	687.22	473.82	68.28	1094.84	23.79	156.72	98.45	390.31	275.40	109.27
	2023-24	755.6	509.39	73.67	1234.23	24.40	169.44	99.72	426.62	300.26	111.90
	Mean	449.79	349.30	49.41	606.95	21.66	112.19	202.61	263.21	188.39	100.03
	S.D	204.60	108.76	16.36	428.88	3.11	39.43	256.16	110.95	75.87	17.77
	CAGR	0.20	0.13	0.13	0.34	0.06	0.16	-0.17	0.19	0.16	0.05

Source : Computed

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Net Profit Ratio

The above table shows the analysis of Net Profit ratio. The mean value of Net Profit ratio varies among the companies . The highest mean value is 618.94 in Alok and the lowest mean value 52.57 in Raymond . The standard deviation for JCT 649.92 was found to be greater. It is also observed, that CAGR is negative in the case of Grasim and the remaining companies have a positive growth.

Return on Net Worth Ratio

The above table shows the analysis of Return on Net Worth Ratio. The mean value of Return on Net Worth Ratio varies among the companies . The highest mean value is 28.02 in JCT and the lowest mean value 10.37 in Lakshmi mills. The standard deviation for Bombay dyeing 18.82 was found to be greater. It is also observed, that CAGR value for all companies are showing a negative growth.

Return on Asset

The above table shows the analysis of Return on Asset. The mean value of Return on Asset varies among the companies . The highest mean value is 606.95 in JCT and the lowest mean value 21.66 in Bombay dyeing. The standard deviation for JCT 428.88 was found to be greater. It is also observed, that CAGR value for all companies are showing a positive growth except Lakshmi Mills.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Net Profit ratio	Between Companies	186418.252	9	20713.139	.639	*
	Within Companies	453805.946	14	32414.710		
	Total	640224.197	23			
Return on Net worth ratio	Between Companies	95.564	9	10.618	.325	*
	Within Companies	654.166	20	32.708		
	Total	749.730	29			
Return on Asset	Between Companies	25395.239	9	2821.693	1.205	*
	Within Companies	.000	0	.000		
	Total	25395.239	9			

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Net Profit Ratio

Ho: The net profit ratio of selected textile industries in India does not vary significantly among industries.

The calculated F- ratio value is .639 which is greater than 5 per cent level of significant. Hence, it is inferred that there is significant difference in the mean net profit ratio of selected textile industry. Hence, the null hypothesis is rejected.

Return on Networth Ratio

Ho: The Return on Networth ratio of selected textile industries in India does not vary significantly among industries.

The calculated F-ratio value is .325 which is greater than 5 per cent level of significant. Hence, it is inferred that there is significant difference in the mean return on net worth ratio of selected textile industry. Hence, the null hypothesis is rejected.

Return on Asset

Ho: The Return on Asset ratio of selected textile industries in India does not vary significantly among industries.

The calculated F-ratio value is 1.205 which is greater than 5 per cent level of significant. Hence, it is inferred that there is significant difference in the mean return on asset ratio of selected textile industry. Hence, the null hypothesis is rejected.

CONCLUSION

The study concluded that there are notable differences across the textile industries' financial performance with respect to growth rate, trend analysis, and Profitability position. Textile industry is one of the biggest and main industries in India. Financial analysis is the process of evaluating the relationship between various financial components that obtain a better understanding of a firm's position and performance in the textile industries. The use of various financial ratio analysis provides one of the best ways of evaluating the financial performances of textile industries. The use of financial ratios have not only helped the firms but also the business units and their managers to take a wide range of business decisions, including setting prices, preparing competitive bids etc. The industry's financial performance is above average and is anticipated to reach new heights soon, which will pull the economy of the country in the light of financial Surplus then. The study is beneficial, especially for government, textile companies, investors, and future scholars. Textile enterprises can enhance their financial management with the aid of this study.

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