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A Comparative Study of Profitability and Liquidity of selected Textile Companies of India

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Abstract: ***Indian textiles have played a pioneering role in the country's economic growth and elevation. The sector contributes about 14% to the production of industrial goods, 4% to GDP, and approximately 13% of the country's total exports. The industry has provided around 45 million people with employment, acting as one of the largest generating industries. Notwithstanding these impressive records, textiles companies face many challenges, such as raw material shortages, outdated equipment, shortages of electricity, low labor productivity and competition on the international markets. This study is therefore designed to measure and compare the performance over the past five years of the selected textile companies in India. The obtained secondary data is analyzed with different statistical instruments and techniques such as ratio analysis and ANOVA one way. In terms of managerial efficacies, liquidity, competitiveness and the role of firms, the financial performance of selected textile companies was calculated through a ratio study. In addition, ANOVA has been employeed to determine if the mean and output of various textile firms are substantially differentiated. The results have shown that the return on capital employed, the profit margin and the current ratio of the sample textile companies with a debt to equity ratio and the fixed asset turnover ratio are significant at 5 percent.***

Keywords: Liquidity, Profitability, Return on Capital Employed, Textile

I. INTRODUCTION

India's textile sector has been one of Indian economy's oldest industries for several centuries. Still today, the textile industry is one of India ' s largest export contributors, accounting for roughly 13% of total exports. Furthermore, the textile sector is labor intensive and one of the largest employers. There are around 40 million employees in the textile industry and indirectly 60 million. The total textile exports in India were USD 40,000 billion during FY 2015-16.

The Emergence of the Indian Textile Sector was noted during the year 1854 when the first cotton textile mill was established in Mumbai in 1854, followed by the establishment of the first cotton mill in Ahmadabad in 1861. The journey continued, with the Mills increasing from 178 in 1901 to 417 in 1945. The Technology Upgrading Fund (TUFS), established over time, provided for easy capital access to the technological upgrades in 1999 and for the overall development of the textile and apparel industry in 2000, it has announced national textile policy (NTP). In 2005, the SITP was set up to provide the necessary infrastructure for new textile units. The Integrated textile park system was created. TUFS, which attracted a $420.65 million subsidy limit in 2014, was launched to attract manufacturers and FDIs. Make in India campaigns were launched. The Government of India allocated approximately US$ 701,9 million to the textile sector under the Union budget for 2016-2017. This budget focuses mainly on attracting producers, introducing technological upgrades, and setting up integrated textile parks and so on.

II. LITERATURE REVIEW

Raichurkar, P&Ramachandran, M(2015) discussed Indian textile industry problems and challenges. We are blamed for low productivity for outdated textile machinery. Indian textile industry needs a higher level of investments to overcome these problems and compete. In countries that produce and export textiles, further investment in spinning and weaving equipment has increased very rapidly. Also, the Government of India is developing appropriate measures to allow the textile industry to grow at an annual rate of 18 percent. According to the UN Commercial Information, released in June 2014, ' The second largest textile and clothing exporter on the world and sixth largest exporter on this planet, India is now the sixth biggest exporter of clothing in the Indian textiles and clothing industry as a whole, representing 63%. 'India is silk and cotton's second-biggest producer. India accounts for approximately 14 percent of the world's textile filament and yarn production (the largest manufacturer of jute, the third largest manufacturer of silk and cotton and the third largest in cellulose fibre).

Indhumathi, C and Palanivelu, P. (2013) indicated the relation between the factors selected and a needy variable, i.e. return on all resources selected by companies expressed that almost all organizations were closely linked to the benefit-proportion proportion of banks, stock turnover proportion and fixed resource turnover proportion. They also assumed that the budget

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exhibitions of the selected textile organizations in India have a comfortable connection with the scope of change in complete resources.

The Chinese textile industry's cost structure, productivity and output have been addressed and the effects of the Chinese Renminbi's appreciation for this industry for 1999–2006 were evaluated by Yimin Zhang and Tianmu Wang (2010). The company has been found to have had extremely low net revenue and capital gains. As the information costs expanded, particularly since 2001, the creation of benefits for the company had become an increasingly difficult task.

Yimin Zhang and Tianmu Wang (2010) have thought about the cost structure, gainfulness and efficiency of the Chinese textile industry and evaluated the effects of Chinese Renminbi gratefulness on this industry for 1999–2006. It was discovered that the business had experienced extremely low net revenues and profits for capital. Since the info costs have been expanding, especially since 2001, creating benefits had become increasingly troublesome errand for the business.

III. RESEARCH OBJECTIVES

1. To measure the financial performance of selected textile companies.
2. To make a comparative analysis of seven sample companies.

IV. RESEARCH METHODOLOGY

Following Textile companies has been selected for study
Alok Industries Ltd (AIL)
Arvind Mills Ltd (AML)
Bombay Dyeing & Manufacturing Company Ltd (BDMCL)
Garden Silk Mills Ltd (GSML)
Raymond Ltd (RL)
Vardhman Group (VG)
Welspun India Ltd (WIL)

V. DATA ANALYSED TOOLS

Ratio Analysis and ANOVA testing has been used

VI. DATA ANALYSIS

	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14	Mean
Return on Capital Employed (%)						
Alok Industries Ltd	-15.270	20.380	21.920	21.920	12.910	12.372
Arvind Mills Ltd	14.200	16.330	15.640	13.290	15.190	14.930
Bombay Dyeing & Manufacturing Company Ltd	8.160	14.470	14.590	19.080	20.820	15.424
Garden Silk Mills Ltd	3.840	3.320	-1.690	-0.110	2.040	1.480
Raymond Ltd	10.930	11.500	9.310	7.320	8.970	9.606
Vardhman Group	16.970	12.540	18.380	12.530	6.610	13.406
Welspun India Ltd	24.920	25.110	5.890	13.750	15.500	17.034
Net Profit Margin (%)						
Alok Industries Ltd	-31.670	1.570	4.600	4.610	4.270	-3.324
Arvind Mills Ltd	5.890	7.220	7.560	6.910	12.420	8.000
Bombay Dyeing & Manufacturing Company Ltd	-4.620	1.030	0.910	3.240	2.660	0.644
Garden Silk Mills Ltd	-5.910	-5.400	-4.710	-2.720	-2.240	-4.196
Raymond Ltd	2.930	3.780	4.030	-2.350	2.990	2.276
Vardhman Group	11.680	6.250	12.600	7.780	2.790	8.220
Welspun India Ltd	12.360	11.570	0.840	5.630	4.520	6.984
Current Ratio						
Alok Industries Ltd	0.690	0.910	0.980	0.980	0.770	0.866
Arvind Mills Ltd	0.810	0.830	0.850	0.750	0.670	0.782
Bombay Dyeing & Manufacturing Company Ltd	1.470	1.600	1.220	1.420	1.590	1.460

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	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14	Mean
Garden Silk Mills Ltd	0.630	0.850	1.130	1.250	0.770	0.926
Raymond Ltd	1.100	1.200	1.180	0.830	0.950	1.052
Vardhman Group	1.080	1.300	1.140	1.160	1.300	1.196
Welspun India Ltd	0.800	0.770	0.630	0.650	0.750	0.720
Debt Equity Ratio						
Alok Industries Ltd	11.290	2.450	2.700	2.700	3.050	4.438
Arvind Mills Ltd	0.970	0.970	0.950	0.970	0.930	0.958
Bombay Dyeing & Manufacturing Company Ltd	5.400	2.820	2.270	2.060	1.960	2.902
Garden Silk Mills Ltd	--	9.640	4.850	3.300	2.570	4.198
Raymond Ltd	0.950	0.930	1.130	0.980	0.910	0.980
Vardhman Group	0.530	0.580	0.970	1.200	1.220	0.900
Welspun India Ltd	1.140	1.410	2.050	1.510	1.570	1.536
Fixed Assets Turnover Ratio						
Alok Industries Ltd	0.870	1.650	1.550	1.550	0.820	1.288
Arvind Mills Ltd	1.180	1.200	1.180	1.000	0.990	1.110
Bombay Dyeing & Manufacturing Company Ltd	1.910	1.770	2.040	1.780	1.760	1.852
Garden Silk Mills Ltd	1.120	1.260	1.460	1.820	1.750	1.482
Raymond Ltd	1.510	1.460	1.230	1.100	1.040	1.268
Vardhman Group	1.000	1.090	1.030	0.970	0.990	1.016
Welspun India Ltd	1.060	1.230	1.300	1.230	1.130	1.190

From the above table it can be concluded that WIL, BDMCL, AML, VG and AIL are earning over average industry return i.e. 12.036. While that of RL is below industry average return. Moreover ROCE of VG, RL,and WIL has increased since 2014 while the return of AML and BDMCL has fallen down. AIL ltd has depicted negative return in FY 2018. Only VG, AML and WIL has average net profit margin above the industry return i.e.2.66, while rest of the companies has net profit margin below the average of industry net profit margin and even GSMLand AIL has negative profit margins. Comparing with previous year's performance, only VG and WILLtd has shown positive and growing trend since year 2014 to year 2018. None of the companies has been able to maintain ideal current asset ratio i.e. 2:1. BDMCL, VG and RL has been in position to maintain their current assets above their current liabilities but in rest of the companies, current liabilities are more than current assets creating liquidity crunches for them.GSML, AIL and BDMCL has leveraged their portfolio by including more of debts along with equities. Proportion of debts varies from 60% to 85% in their portfolio. While the same for VG, AML and RL is below 50% indicating less involvement of debts than equity.

VII.STATISTICAL RESULTS

H0 HYPOTHESIS	P VALUE	RESULT
There is no significant difference between Return on Capital Employed Ratio of selected seven textile companies	0.042	Null hypothesis rejected
There is no significant difference between Net Profit Ratio of selected seven textile companies	0.021	Null hypothesis rejected
There is no significant difference between Current Ratio of selected seven textile companies	0.000	Null hypothesis rejected
There is no significant difference between Debt to Equity Ratio of selected seven textile companies	0.000	Null hypothesis rejected
There is no significant difference between Fixed Asset Turnover Ratio of selected seven textile companies	0.000	Null hypothesis rejected

VIII. CONCLUSION

The study finds that in terms of liquidity, solvency, competitiveness and management efficiency there is a significant difference in the output of all selected companies in the textile industry. In terms of profits followed by BDMCL, Arvind Textile and VG, WIL was responsible to all textile companies while only BDMCL and VG maintain a comparatively improved liquidity

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status by maintaining their current assets above current liabilities. GSML and Alok are highly leveraged companies with lower profits and high risks. Only GSML (1,48) and BDMCL (1,85) were capable in terms of managerial efficiency of maintaining their fixed asset turnover ratio in excess of the industry average Fixed Asset Turnover ratio (1,31) showing good management efficiency.

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