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Financial performance of textile industries: A comparative study of select companies

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Abstract
The textile industry in India traditionally, after agriculture, is the only industry that has generated huge employment for both skilled and unskilled labour in textiles. The textile industry continues to be the second-largest employment generating sector in India. India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. India's overall textile exports during FY 2017-18 stood at US$ 39.2 billion in FY18 and are expected to increase to US$ 82.00 billion by 2021 from US$ 31.65 billion in FY19 as per IBEF report.
The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital-intensive sophisticated mills sector at the other end of the spectrum. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world. The present study considers three sample companies in the textile industry to assess their financial performance.

Keywords: GDP, garment market, production

Introduction
The Indian textile industry has successfully continued to strengthen the global market and stands as a second largest producer of garments and textile in the whole world. It plays an important role in generating employment to both skilled and unskilled labor force. Major part of contribution in the national economy is by the textile industry through generating direct and indirect employment and the net foreign exchange earnings. About 27% of India's foreign exchange is earned through export of textile industry, 14% of industrial production and 4% of countries GDP.
Cotton is the major fiber produced among the other fiber. There are various sectors in textile industry like man-made fibers which has 62% share in India's total production. 13%of market share is held by the handloom sector among the total production of cloth in India. India exports yarn to countries like Japan, UK, Russia, France, Singapore and other countries. India has a largest spindles capacity with 43.13 million spindles in the world. Jute textile includes producing and exporting of raw jute and jute goods. In 2005 National Jute policy was formed to improve the quality and also the productivity.
India has 63% of share in the global textile and garment market. 100% of FDI is allowed through the route of textile industry. According to Technopak advisors report, there is a future expectation that the textile industry and apparel industry will grow up to US $223 billion by 2021. The man-made Fabrics led in the yr (2016-14) by 4%. The textile exports are led to US$28.53billion in April 2016-jan 14, when compared to the previous year which was U$24.90.

Review of Literature
Sathya and Umarani (2018) have made a study on financial performance analysis of spinning mills of Coimbatore city for a five year period (2013-14) to analyze the financial performance of the companies. This study uses descriptive research design and secondary data collected to analyze the financial performance and to study the liquidity, Leverage, profitability and turnover ratios position of these companies. This study is concluded by suggesting the firm to maintain good solvency to meet the short run and long run obligations and to follow a fixed policy and also to provide dividend.
Desrani (2016) has made a Comparative Study of Ratio Analysis of Selected Textile Companies of India. This study uses secondary data. The data is presented through simple classification like percentage; average and the hypothesis are tested at 5% level of significance of employ in F Test. This study has found that the textile export of the country is increased to US$ 22.13 in 2010-08 and the share in exports is also expected to increase from 4% to 7% within 2015. This paper suggests the companies to maintain the cost and increase the sales and also improve the profitability to satisfy the shareholders and maintain good position in the market.
Anand (2017) has made an attempt to study on Financial Analysis in Textile Sector. This paper focuses on the financial strength of the textile companies in India and to know up to what extent textile sector have utilized the resources effectively. This study is explanatory and empirical in nature and frames the hypothesis for the study. Furthermore the study is concluded by accepting the null hypothesis is which shows that there is no significant difference in the profitability, liquidity and solvency position in the selected textile companies.
Ayyapan and sultana (2017) have made a study on financial performance analysis of selected textile industries in India. The paper mainly focuses on the trend value of the selected textile industries and their financial positions in future. The conclusion suggests that the industries can reduce the

factory overheads, control the cost of goods sold and operating expenses to increase the profit thereby and to become stable in the future.

Company profile

Arvind Ltd which was formerly known as Arvind mills is a textile manufacture found in the year 1931. Its Head quarter is located in Naroda, Ahmadabad, and Gujarat, India. This Industry mainly manufactures Denim, Khakis, cotton shirting & Kwits. It is the India 4th largest Manufacture and exports of Demin. Flying machine, Newport Ruff & Tuff and Excalibur are the own brands and International brands like Arrow, Lee, Wrangler and Tommy Hilfiger. Arvind ltd entered into Joint venture with PD group, Germany, OG Corporation, Japan, Goddwil corp. ltd Japan.

Bombay Dyeing & Mfg. Co. Ltd was established in year 1879 it is one of the largest producers of textile in the world. It manufactures a wide range of Product's like polyester cotton suiting, shoe lining and duck fabrics, yarn dyed, fabrics, towels, polyester blended saris and dresses. The textile products are exported to many countries like US, European countries, Australia. Bombay dyeing is flexible in adapting to the changing fashion and trend.

Raymond Group was incorporated in the year 1925 and within few years it transformed to be an Indian textile to a global conglomerate. Raymond was the first textile industry to introduce Polywool blend in India in the yr 1959. Raymond entered into joint venture with silver spark apparel ltd, ever blue Apparel Ltd, celebration Apparel ltd. Raymond is largest player in the textile industry and manufactures & cosmetics & toiletries, designer wear, both in national & international markets. They export their products to many counts like USA, Canada, and Europe Japan. The diversified product range is nearly 20,000 design & colours of suiting fabric for different age groups, occasion & style.

Statement of Problem

Financial performance is immensely significant to all stakeholders of a company, especially to its common equity investors. Although a company's financial performance can be evaluated from various dimensions, this study is confined to only financial aspects. Through a vigilant analysis of its financial performance, firms with industry can identify opportunities to improve performance of each individual unit. Therefore, ability of single unit within the industry to analyze its financial position is essential for improving its competitive edge in market arena.

Objectives

- To analyze the company's Profitability, liquidity position and the efficiency of the management
- To draw inferences on the financial position of the companies

Research Methodology

The methodology adopted for the present study regarding source of data is mainly based on the secondary data, which is collected from company annual reports, journals, articles and websites. This study data collected for ten years Arvind Ltd, Bombay Dyeing & Mfg. Co. Ltd and Raymond Group industries. The tools are used ratio analysis in the year period of the study 2012-2013 to 2017-2018. 1) Current ratio, 2) Quick Ratio, 3) Operating Ratio, 4) Gross Profit Ratio, 5) Net Profit Ratio, 6) Debt Equity Ratio,7) total assets turnover and also Altman's Z score.

Analysis and Interpretation

Gross Profit Ratio

This ratio measures the gross margin of profit from sales. The higher the gross profit ratio the better it is.

Table 1: Gross Profit Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	18.01	5.48	14.55
2010	7.97	11.36	10.59
2011	4.17	3.25	0.78
2012	5.75	0.46	2.18
2013	8.44	13.28	1.28
2014	10.06	8.24	7.51
2015	10.61	9.00	7.00
2016	11.53	9.72	2.75
2017	13.33	6.94	5.81
2018	13.42	8.71	5.04
Average	10.329	7.644	5.749

***Source*:** Secondary Data/Annual Report

From the above table it is clear that Arvind Mills have 18.01% gross profit in 2009. It becomes 10.06 in 2014 and in 2018 it is 13.42%. On the other hand gross profit of Bombay dyeing is 5.48 in 2009. It can be calculated that the financial position of Arvind Mills is better than the Bombay Dyeing and Raymond in terms of gross profit because they have more variation in gross profit as compared to Arvind Mills. For every Rs.100/- of sales Arvind Mills earned rupees 10.32 as Average gross profit.

Net Profit Ratio

This is the ratio of net profit to sales. The greater the ratio, the more profitability the business will be.

Table 2: Net Profit Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	7.94	5.94	8.91
2010	1.36	6.96	15.01
2011	1.22	1.73	4.71
2012	-1.99	-14.2	-18.34
2013	2.24	1.10	1.94
2014	5.02	1.15	-6.98
2015	12.42	2.66	2.99
2016	6.91	3.24	-2.35
2017	7.56	0.91	4.03
2018	7.22	1.03	3.78
Average	4.99	1.052	1.37

Source: Secondary Data/Annual Report

From the above table it shows that net profit ratio of Raymond is 8.91 in 2009 and it became 1.94 in 2013 but in 2018 the net profit of Raymond is 3.78 % whereas Arvind Mills is 7.94% in 2009 but in 2018 it shows 7.22. The financial position of Arvind Mills is better than the Bombay dyeing and Raymond in terms of net profit. For every 100/- of sales Arvind Mills as earn rupees 4.99 as net profit ratio

Operating ratio: A low operating ratio is better because it reflects the efficiency of management the lower the ratio, higher would be the profitability.

Table 3: Operating Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	25.68	5.57	14.77
2010	15.94	14.02	11.43
2011	10.34	7.04	6.84
2012	10.94	4.60	8.52
2013	13.35	16.86	9.48
2014	14.38	11.58	14.42
2015	14.34	11.75	12.84
2016	15.51	12.39	8.46
2017	16.63	9.20	11.05
2018	15.83	10.68	8.58
Average	15.294	10.369	10.639

***Source*:** Secondary Data/Annual Report

Interpretation: From the above table it is clear that the operating ratio of Bombay dyeing is 5.57 in 2009 and 8.53 in 2018 whereas Raymond has 14.77 in 2009 and became 14.42 in 2014 but in 2018 it shows 8.58. It can be concluded that the financial position of Bombay Dyeing is better when compared to Arvind Mills and Raymond. For every 100 Rs of sales Arvind Mills has to spend Rs.15.294 as operating expenses where as Bombay Dyeing spends only 10.37/-

Current ratio

One of important function of the financial manager is to maintain sufficient liquidity. Current ratio is an important criterion to test the liquidity and also the short term solvency.

Table 4: Current Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	1.25	1.12	1.30
2010	0.99	0.69	1.02
2011	0.87	0.59	1.23
2012	0.74	0.74	1.36
2013	0.75	0.86	1.60
2014	0.76	1.12	1.25
2015	0.67	1.59	0.95
2016	0.75	1.42	0.83
2017	0.85	1.22	1.18
2018	0.83	1.60	1.20
Average	0.846	1.095	1.192

***Source*:** Secondary Data/Annual Report

From the above table it is clear that current ratio of Bombay is 1.12 times 2009 and 1.159 times in 2015 where as Raymond has 1.30 times current ratio in the year 2009 and became 1.60 times in 2013 but in 2018 the current ratio is 1.20times. It can be concluded that the financial position of Raymond is better than the Arvind Mills and Bombay Dyeing.

Debt equity ratio

This ratio expresses the relationship between long term debts and shareholders' funds. It indicates the proportion of funds which are acquired by long term borrowing in comparison to shareholders funds.

Table 5: Debt Equity Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	1.29	1.46	0.65
2010	1.50	2.66	0.58
2011	1.37	3.58	0.63
2012	1.79	10.13	1.19
2013	1.40	8.44	1.07
2014	1.07	2.55	1.18
2015	0.93	1.96	0.91
2016	0.97	2.06	0.98
2017	0.95	2.27	1.13
2018	0.97	2.82	0.93
Average	1.224	3.793	0.925

***Source*:** Secondary Data/Annual Report

From the above table it is clear that Arvind Mills has 1.29% debt equity ratio in 2009 and became 1.40 in 2013. But in 2018 the debt-equity ratio was 0.97. On other hand debt/equity ratio of the Bombay Dyeing is 1.46 % in 2009 and in 2018 is 2.82. It is concluded that Bombay Dyeing is better when compare to Arvind mills and Raymond.

Quick Ratio

This ratio also tests liquidity. But it is a more refined test of liquidity and solvency. This ratio takes into consideration the liquid assets only which are directly convertible into cash.

Table 6: Quick Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	3.24	2.78	1.09
2010	2.10	1.51	1.21
2011	2.27	1.98	1.40
2012	1.66	2.27	1.26
2013	2.31	2.90	1.42
2014	1.35	6.68	1.15
2015	1.11	6.97	0.78
2016	1.34	1.24	0.81
2017	1.59	1.60	1.27
2018	1.56	2.13	1.21
Average	1.853	3.006	1.16

***Source*:** Secondary Data/Annual Report

The above table shows that Arvind mills have 3.24 times in 2009 and became 1.35 times in 2014 but in 2018 the quick ratio is 1.56 times. The quick ratio of Bombay dyeing is 2.78 times in 2009 and 2.13 times in 2018. It can be concluded that the financial position of Bombay dyeing is better than the Raymond and Arvind Mills.

Total asset turnover ratio

This ratio measures the efficiency of the firm by using its assets to generate sales.

Table 7: Total Assets Turnover Ratio

Years	Arvind Mills	Bombay Dyeing	Raymond
2009	0.47	1.08	0.68
2010	0.62	0.34	0.61
2011	0.74	0.51	0.58
2012	0.82	0.72	0.57
2013	0.72	0.84	0.56
2014	0.87	1.59	0.65

2015	1.05	1.83	0.90
2016	0.95	1.64	1.00
2017	1.04	1.73	0.93
2018	1.03	1.32	1.17
Average	0.831	1.16	0.765

Source: Secondary Data/Annual Report

This above table indicates that in 2009 Bombay Dyeing has 1.08% which is relatively less when compared to Arvind Mills and Raymond. In the year 2014 Bombay Dyeing's % has been increased to 1.59 and continued to grow to 1.32% in 2018. From the above table we conclude that Bombay Dyeing uses its assets efficiently to produce its products and increase in sales.
Altman's Z score:
To analyze the likelihood of bankruptcy of the selected Textile Industries
Z score=1.2A+1.4B+3.3C+0.6D+1.0E
A= (Working Capital/Total Assets)*1.2
B= (Retained Earning/Total Assets)*1.4
C= (EBIT/Total Assets)*3.3
D= (Market Value of Equity/Total Liabilities)*0.6
E= (Sales Turnover/Total Assets)*1

Table 8: Financial Performance of Arvind Mills

Parameters	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
A	0.160	0.163	0.173	0.178	0.165	0.170	0.113	0.164	0.138	0.082
B	0.526	0.47	0.495	0.402	0.482	0.559	0.619	0.619	0.639	0.639
C	0.424	0.435	0.324	0.209	0.389	0.468	0.879	0.563	0.617	0.599
D	0.013	0.011	0.011	0.009	0.011	0.011	0.012	0.012	0.012	0.012
E	0.481	0.559	0.667	0.732	0.72	0.868	1.048	0.951	1.036	1.029
Z Score	1.604	1.638	1.670	1.530	1.767	2.076	2.671	2.309	2.442	2.361

Source: Secondary Data/Annual Report)

The above data analysis shows that according to the Z score, Arvind mills shows the bankruptcy zone for all the above years are more than 1.1, so it shows that Arvind mills are in the safety zone.

Table 9: Financial Performance of Bombay Dyeing

Parameters	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
A	0.404	0.144	0.082	0.293	0.294	0.484	0.752	0.381	-0.174	0.010
B	0.511	0.343	0.274	0.097	0.121	0.337	0.426	0.417	0.39	0.335
C	0.326	0.205	0.229	0.085	0.469	0.753	0.852	0.773	0.61	0.563
D	0.063	0.042	0.033	0.013	0.016	0.041	0.049	0.009	0.009	0.008
E	1.191	0.348	0.526	0.738	0.86	1.586	1.818	1.631	1.728	1.387
Z Score	2.495	1.082	1.144	1.226	1.760	3.201	3.897	3.211	2.562	2.303

Source: Secondary Data/Annual Report

The above data analysis shows that according to the Z score, Bombay dyeing shows the bankruptcy zone for all the above years in the Z SCORES, are more than 1.1 so it shows that Bombay dyeing is in safety zone.

Table 10: Financial Performance of Raymond

Parameters	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
A	0.150	0.118	0.143	0.110	0.097	0.075	0.040	0.001	0.218	0.194
B	0.807	0.846	0.814	0.598	0.642	0.653	0.694	0.666	0.622	0.686
C	0.453	0.521	0.306	-0.173	0.279	0.079	0.504	0.375	0.502	0.513
E	0.059	0.061	0.059	0.044	0.047	0.048	0.051	0.049	0.045	0.051
D	0.692	0.613	0.586	0.567	0.561	0.695	0.889	0.997	0.934	1.171
Z Score	2.161	2.159	1.908	1.146	1.626	1.550	2.178	2.087	2.321	2.615

Source: Secondary Data/Annual Report

Form the above analysis is shows that according to Z scores, Raymond shows the bankruptcy zone for all the above year in the Z score are more than 1.1, so it is clear that Raymond are in the safety zone.

Findings

Liquidity: It is evident from the study that the Bombay Dyeing has the better Liquidity position when compared to Arvind Mills and Raymond hence it can meet the short term obligations of the company.
Asset Management: It is observed that the asset management efficiency of Bombay Dyeing is better than Arvind Mills and Raymond. It also ensures in managing the resources effectively for the day-to-day operations.
Financial Leverage Management: On examining the performance of the selected Textile Industries, Bombay Dyeing is better than Arvind Mills and Raymond. The usage of Debt in capital Structure of the Firm increases the EPS of the Company.
Profitability: Arvind Limited has a better profitability position when compared to Bombay Dyeing and Raymond.

Conclusion

As the Textile Industry plays an important role in India and are contributing towards the National Growth. This study has analyzed that the profitability and Short term position of these three Textile Industries in India. By using various ratios it is found that Bombay Dyeing has a better efficiency, management of resources and effective financial structure by leveraging its company when compared to Arvind Mills. When compared to the Profitability position Arvind Mills stands better than Bombay Dyeing. All the three leading Textile industries that have been selected are under the safe zone and are not in the state of bankruptcy.

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