PROFITABILITY ANALYSIS OF SELECT TEXTILE COMPANIES IN INDIA

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Abstract

The study has analysed the profitability of selected textile companies in India. It is experimental in nature it chose five textile companies such as Arvind Ltd, Welspun India Ltd, Trident Ltd, Bombay Dyeing And Manufacturing Compenies Ltd, Raymond Ltd as sample of the study. It gathered information from reports of the selected companies for the period of ten years from 2009-2010 to 2013-2014. The study principally utilized ratio analysis as statistical tool. The result of the study showed that profitability of companies was acceptable over the study time frame.

Keywords: Profitability, Net Profit, Gross Profit, Textile Industry.

INTRODUCTION

The Textile Sector in India positions close to Agriculture. Material is probably the most established industry and has an impressive nearness in the national economy in as much as it adds to around 14 percent of assembling esteem option, represents around 33% of our gross fare income and gives beneficial work to a large number of individuals. The material business involves a one of a kind spot in our nation. One of the soonest to appear in India, it represents 14% of the all out Industrial creation, adds to about 30% of the all out fares and is the second biggest work generator after agribusiness.

Textile Industry is giving one of the most essential needs of individuals and the holds significance; keeping up supported development for improving personal satisfaction. It has a remarkable situation as a confident industry, from the creation of crude materials to the conveyance of finished products,With considerable worth expansion at each phase of preparing; it is a significant commitment to the nation's economy.

Review of literature

Mistry Dharmendra S. (2012) understood a study to analyze the impact of different determinants on the profitability of the selected companies. It inferred that debt equity ratio, inventory ratio, total assets were significant determinants which impact positive or negative impact on the profitability. It suggested to improve solvency as to decrease fixed financial weight on the company profit & give the advantage of exchanging on value to the investors.

R.Subha Dr.N.Ramu(2014) Financial Performance of Textile Industry in Tamilnadu with Special Reference To Coimbatore - A Study of Profitability analysis. The study has examined the profitability of chose textile companies in Coimbatore, Tamilnadu. The study mainly utilized ratio analysis as statistical tool. The current study of profitability analysis of selected textile companies in Coimbatore was made for the study period of ten years from 2003-04 to 2012. The results of the study indicated that profitability 0f Ambika Cotton Mills Ltd., Bannari Amman Spinning Mills Ltd. and KG Denim Ltd. was good over the study period, where as it was not satisfactory for Gangutri Textiles Ltd. and Lakshmi Mills Ltd.

STATEMENT OF THE PROBLEM

The advancement of industries relies upon a few factors and confronting a few issues such as finance, work force, innovation, nature of the item and marketing. Out of these, financial and working viewpoints expect a huge job in deciding the development of enterprises. All of the company's tasks practically influence its requirement for cash. Most of the data covering operational areas are however outside the direct responsibility of the financial executive Except if the top administration acknowledges the estimation of a good financial and working analysis,there will be proceeding with issues for the financial executives to discover the profitability position of the concern. In this study to discover the profitability analysis of textile industry.

Objectives of the study

- To know the financial performance of the select textile companies.
- To analyse the profitability position of select textile of companies.

DATA COLLECTION

Nature of data

Analytical methods were adopted for caring out of study. Secondary data was mainly used for the study this secondary data collected from the published annual report of the selected textile companies.

Source of data

The data used are mainly from the adopted annual reports of the company through the discussions with financial and accounts officials of the select textile companies.

TOOLS AND TECHNIQUES

The data from the reports have been analyzed by using various tools and techniques. With a view to evaluate the performance of the company.

- Ratio analysis
- Mean
- Standard deviation
- Co-efficient of variation
- Compound growth rate

PERIOD OF STUDY

The period of the study covers 5 years from 2014-2015 to2018-2019. The required data for the past 5 years were collected from the annual report of the company.

Return on Investment of textile Industry

Year	Arvind	Bombay	Trident	Welspun	Raymond
2014-2015	16.82	9.37	17.22	29.05	13.98
2015-2016	14.91	6.18	12.90	31.03	12.79
2016-2017	10.21	9.78	17.80	19.86	9.96
2017-2018	12.07	13.94	16.65	18.43	13.02
2018-2019	12.18	42.27	19.18	13.40	12.16
Mean	13.24	16.31	16.75	22.35	12.38
SD	2.61	14.77	2.35	7.45	1.50
CV	19.73	90.59	14.02	33.32	12.14
CAGR	-0.08	0.46	0.03	-0.18	-0.03

The above table reveals that Return on Investment ratio of selected textile companies in India. The mean value has been highest in Welspun India Ltd (22.35).and lowest value in Raymond textile Ltd (12.16). The maximum value of SD (14.77) is obtained by Bombay dyeing and manufacturing Ltd. And a minimum of (2.35) is gained by Trident Ltd. The co-efficient of variation of

Bombay dyeing and manufacturing Ltd.(90.59),which has highest variations among the companies and Raymond textile Ltd.(12.14),which has lowest variations among the companies during the study period. On the basis of CAGR, the value of the Bombay dyeing and manufacturing Ltd. (0.46) has been greater and the value of Welspun India Ltd (-0.18) has been lower during the study period.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	307.6812	4	76.9203	1.333982	0.291839	2.866081
Within Groups	1153.243	20	57.66216			
Total	1460.924	24				

HO: Return on Investment ratio does not differ significantly.

HA: Return on Investment ratio does differ significantly.

It concludes that the average Return on Investment ratio of selected Textile industries does not differ significantly. We reject HA($F_{cal} < F_{crit}$) and accept Null hypothesis HO..Since the calculative value of F is 1.33.which are less than the table value of F_{crit} is 2.86.

Operating Profit

Year	Arvind	Bombay	Trident	Welspun	Raymond
2014-2015	18.02	12.99	18.52	25.72	13.16
2015-2016	17.00	12.54	20.83	28.37	12.86
2016-2017	9.31	14.63	21.48	17.39	9.99
2017-2018	10.90	18.01	20.02	19.07	12.77
2018-2019	10.35	39.62	19.72	12.42	11.52
Mean	13.12	19.56	20.11	20.59	12.06
SD	4.07	11.42	1.13	6.44	1.32
CV	31.01	58.38	5.60	31.29	10.91
CAGR	-0.13	0.32	0.02	-0.17	-0.03

The above table reveals that Operating Profit Ratio of selected textile companies in India. The mean value has been highest in Welspun India Ltd (20.59).and lowest value in Raymond textile Ltd (12.06). The maximum value of SD (11.42) is obtained by Bombay dyeing and manufacturing Ltd. And a minimum of (1.13) is gained by Trident Ltd. The co-efficient of variation of Bombay dyeing and manufacturing Ltd.(58.38),which has highest variations among the companies and Trident Ltd.(5.60),which has lowest variations among the companies during the study period. On the basis of CAGR, the value of the Bombay dyeing and manufacturing Ltd. (0.32) has been greater and the value of Welspun India Ltd (-0.17) has been lower during the study period.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	343.0359	4	85.75897	2.23944	0.101096	2.866081
Within Groups	765.8966	20	38.29483			
Total	1108.933	24				

HO: Operating Profit Ratio does not differ significantly.

HA: Operating Profit Ratio does differ significantly.

It concludes that the average Operating Profit Ratio of selected Textile industries does not differ significantly. We reject HA($F_{cal} < F_{crit}$) and accept Null hypothesis HO..Since the calculative value of F is 2.33.which are less than the table value of F_{crit} is 2.86.

Net Profit

Year	Arvind	Bombay	Trident	Welspun	Raymond
2014-2015	7.22	0.55	3.13	11.65	3.36
2015-2016	5.92	-4.86	6.59	13.32	2.48
2016-2017	3.02	-6.42	7.29	11.23	0.97

2017-2018	4.14	7.18	5.68	6.06	2.13
2018-2019	3.82	27.58	6.96	5.33	2.79
Mean	4.82	4.81	5.93	9.52	2.35
SD	1.71	13.80	1.68	3.59	0.89
CV	35.41	287.16	28.28	37.67	38.03
CAGR	-0.15	1.66	0.22	-0.18	-0.05

The above table reveals that Net Profit ratio of selected textile companies in India. The mean value has been highest in Welspun India Ltd (9.52).and lowest value in Raymond textile Ltd (2.35). The maximum value of SD (13.80) is obtained by Bombay dyeing and manufacturing Ltd. And a minimum of (0.89) is gained by Raymond Textile Ltd. The co-efficient of variation of Bombay dyeing and manufacturing Ltd.(287.16),which has highest variations among the companies and Trident Ltd.(28.28),which has lowest variations among the companies during the study period. On the basis of CAGR, the value of the Bombay dyeing and manufacturing Ltd. (1.66) has been greater and the value of Welspun India Ltd (-0.18) has been lower during the study period.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	136.072	4	34.018	0.810539	0.533128	2.866081
Within Groups	839.392	20	41.9696			
Total	975.464	24				

HO: Net Profit Ratio does not differ significantly.

HA: Net Profit Ratio does differ significantly.

It concludes that the average Net Profit Ratio of selected Textile industries does not differ significantly. We reject HA($F_{cal} < F_{crit}$) and accept Null hypothesis HO. Since the calculative value of F is 0.81.which are less than the table value of F_{crit} is 2.86.

Gross Profit

Year	Arvind	Bombay	Trident	Welspun	Raymond
2014-2015	11.55	3.44	13.03	21.62	7.61
2015-2016	11.21	-2.78	16.87	25.22	7.31
2016-2017	5.31	-4.52	18.43	15.85	4.87
2017-2018	7.91	2.52	17.43	17.31	7.88
2018-2019	6.82	28.57	17.45	10.70	6.19
Mean	8.56	5.45	16.64	18.14	6.77
SD	2.74	13.36	2.10	5.56	1.24
CV	31.98	245.38	12.59	30.63	18.35
CAGR	-0.12	0.70	0.08	-0.16	-0.05

The above table reveals that Gross Profit ratio of selected textile companies in India. The mean value has been highest in Welspun India Ltd (18.14).and lowest value in Bombay dyeing and manufacturing Ltd. (5.45). The maximum value of SD (13.36) is obtained by Bombay dyeing and manufacturing Ltd. And a minimum of (1.24) is gained by Raymond textile Ltd. The co-efficient of variation of Bombay dyeing and manufacturing Ltd.(245.38),which has highest variations among the companies and Trident Ltd.(12.59),which has lowest variations among the companies during the study period. On the basis of CAGR, the value of the Bombay dyeing and manufacturing Ltd. (0.70) has been greater and the value of Welspun India Ltd (-0.16) has been lower during the study period.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	687.1277	4	171.7819	3.853614	0.017663	2.866081
Within Groups	891.5367	20	44.57683			
Total	1578.664	24				

HO: Gross Profit Ratio does not differ significantly.
HA: Gross Profit Ratio does differ significantly.

It concludes that the average Gross Profit Ratio of selected Textile industries does differ significantly. We reject HO(F_{cal} > F_{crit}) and accept Alternative hypothesis HA..Since the calculative value of F is 3.85.which are more than the table value of F_{crit} is 2.86.

Earnings per Share

Year	Arvind	Bombay	Trident	Welspun	Raymond
2014-2015	4.96	1.03	2.21	4.87	16.29
2015-2016	4.37	0	4.76	6.21	11.47
2016-2017	0.25	0	6.61	3.05	5.51
2017-2018	3.4	1.67	5.22	3.03	15.98
2018-2019	7.71	59.55	7.28	1.41	12.03
Mean	4.14	12.45	5.22	3.71	12.26
SD	2.70	26.34	1.97	1.86	4.37
CV	65.24	211.56	37.68	49.98	35.64
CAGR	0.12	1.76	0.35	-0.27	-0.07

The above table reveals that Earning Per Share ratio of selected textile companies in India. The mean value has been highest in Bombay dyeing and manufacturing Ltd (12.45).and lowest value in Welspun India Ltd. (3.71). The maximum value of SD (26.34) is obtained by Bombay dyeing and manufacturing Ltd. and a minimum of (1.86) is gained by Welpun India Ltd. The co-efficient of variation of Bombay dyeing and manufacturing Ltd.(211.56),which has highest variations among the companies and Trident Ltd.(37.68),which has lowest variations among the companies during the study period. On the basis of CAGR, the value of the Bombay dyeing and manufacturing Ltd. (1.76) has been greater and the value of Welspun India Ltd (-0.27) has been lower during the study period.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	389.8026	4	97.45065	0.669824	0.620492	2.866081
Within Groups	2909.739	20	145.487			

Total	3299.542	24

HO: Earning Per Share Ratio does not differ significantly.

HA: Earning per Share Ratio does differ significantly.

It concludes that the average Earning Per Share Ratio of selected Textile industries does not differ significantly. We reject HA ($F_{cal} < F_{crit}$) and accept Null hypothesis HO..Since the calculative value of F is 0.6698.which are less than the table value of F_{crit} is 2.86.

Suggestions

- Overall profitability position was satisfactory. so the company should maintain their position.
- The suggestions for the firms of textile sector are that they should properly use internal source of finance to meet their long term investment.

Conclusion

The present study of profitability analysis of Selected textile companies in India was made for the study period of five years from 2014-2015 to 2018-2019. The outcomes demonstrated that all companies profitability is pretty much relies on the better use of assets, diminish costs and quality client care. Simultaneously to build creation and utilize advance innovation to diminish cost of creation and pay cost so as to expand profitability. Finally the profitability positions of the companies were agreeable.

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