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Profitability Evaluation Of Select Textile Companies In India- An Empirical Analysis

S. Maheswari,
Ph.D. Research Scholar in Commerce,
Rathnavel Subramaniam College of Arts &Science,Coimbatore, Tamil Nadu, India.

Dr. C. Selvakumar,
Associate Professor
Department of Commerce,
RathnavelSubramaniam College of Arts & Science, Coimbatore, Tamil Nadu, India

Dr.M.Murugesan.
Associate Professor
Department of Commerce
RathnavelSubramaniam College of Arts & Science, Coimbatore, Tamil Nadu, India

Abstract:

Indian textiles and apparel have a history of fine craftsmanship and global appeal. Cotton, silk, and denim from India are highly popular abroad and with the upsurge in Indian design talent, Indian apparel has found success in the fashion centers of the world. The production of textiles related products often requires high levels of energy and water consumption and emits large quantities of pollutants to the environment. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.The Indian Textile Industry plays an extremely significant role in India in terms of share in value-added, foreign exchange earnings, and employment.Profitability has emerged as a vital role inthe corpus. The higher position of the companies has judged by the profit of the orgnaisation. This study is an attempt to evaluate the profitability performance of select textile companies in India.

Keywords: Profitabilityevaluation, Textilecompanies, Garment companies

1.INTRODUCTION

New innovations in clothing production, manufacture and design came during the Industrial Revolution – these new wheels loom, and spinning processes changed clothing manufacture forever. The 'rag trade', as it is referred to in the UK and Australia is the manufacture, trade and distribution of textiles.There were various stages – from a historical perspective – where the textile industry evolved from being a domestic small-scale industry to the status of supremacy it currently holds. The 'cottage stage' was the first stage in its history where textiles were produced on a domestic basis. During this period cloth was made from materials including wool, flax and cotton. The material depended on the area where the cloth was being produced, and the time they were being made.

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In the latter half of the medieval period, a variety of processes and innovations were implemented for the purpose of making clothing during this time. These processes were dependent on the material being used, but there were three basic steps commonly employed in making clothing. These steps included preparing material fibers for the purpose of spinning, knitting and weaving.During the industrial revolution, new machines such as spinning wheels and handlooms came into the picture. Making clothing material quickly became an organized industry – as compared to the domesticated activity it had been associated with before. A number of new innovations led to the industrialization of the textile industry in GreatBritain. The clothing manufactured during the Industrial Revolution formed a big part of the exports made by greatBritain. The center of the cotton industry in Great Britain was Lancashire – and the amount exported from 1701 to 1770 had grown ten times. However, wool was the major export item at this point in time.

Today, modern techniques, electronics, and innovation have led to a competitive, low-priced textile industry offering almost any type of cloth or design a person could desire. With its low-cost labour base, China has come to dominate the global textile industry.The Indian textile industry is one of the oldest and most significant industries in the country. India's textiles sector is one of the oldest industries in the Indian economy dating back several centuries. Even today, the textile sector is one of the largest contributors to India's exports with approximately 15 percent of total exports. The textile industry is also labour intensive and is one of the largest employers. 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 decentralized power looms/ hosiery and knitting sector forms the largest component of the textile 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.

2. REVIEW OF LITERATURE

The review of literature is being done to find out available literature in the field of financial aspects of textile units in India. The researcher has presented some of the excerpts of various studies conducted by the financial analysts in the past. Some studies are directly related and some are indirect. The available literature has helped the researcher to find out the research gap.

Marimuthu (2012) in his study, "Financial performance of Textile industry: A study of the listed company of Tamil Nadu" and it 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 the previous year or with other companies. 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 the 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 the 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. The tools used for the study are 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

Kumar and Kulkarni (2012) had conducted an analysis of the Gujarat textile industry with reference to working capital evaluation on selected five companies for the eleven years and performed ratio analysis, descriptive statistics etc. Various ratios like current and quick ratio, a current asset on the total asset, sales, turnover etc. were analyzed with the help of ANOVA and the study concluded that the financial performance of all the selected companies was sound and effective.

Channar and Ram (2011) conclude that the overall performance of the textile sector was adversely affected by crisis due to various factors like obsolete technology, unavailability of high-quality raw material, unskilled labor etc. Financial analysis of income statement was done to know the current position of debt payment ability, management and inventory sales, receivables, productivity, fixed assets, etc.

Charumathi (2012) has made an attempt to examine various factors that determine the profitability of life insurers operating in India. The study was based on data of 3 years of 1 public company and 22 private companies working in this industry. Regression analysis reveals that there was a direct relationship of profitability with size and liquidity whereas the negative relationship of profitability with the leverage, premium and equity capital.

Venkataramana and Ramakrishnan (2012) measured the profitability and financial position of selected cement companies in India through various financial ratios and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of the impact of these ratios on profitability. Further financial performance was checked by the regression analysis of selected cement companies.

3. RESEARCH GAP AND OBJECTIVE OF THE STUDY

The research gap of the study revealed that all of the past research works had concentrated on the financial performance of the textile companies. This research has

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focused only onthe profitability evaluation of textile companies in India.The primary objective of the study is the evaluation of the profitability of selected textile companies in India.

4. METHODOLOGY

The study is broadly based on secondary data, which have been collected through money control. Com website. There are a lot of registered textile companies in India. Out of registered textile companies in India, the present study has taken 20 as the sample size. The researcher has collected the data from the website of these 20 companies.

5. ANALYSIS AND INTERPRETATION

Based on net profit the following companies are top 20 companies in India in the financial year 2018 to 2019.

Table 1: Net profit of the top 20 textile companies in India

Textile Companies	Net Profit (Rs. in Crores)
Alok Industries	2,282.13
Bombay Dyeing	1,229.98
Page Industries	393.94
Trident	370.92
KPR Mill	289.11
HimatsingkaSei	236.04
Arvind	199.44
Future Life	145.37
Welspun India	141.77
Garware Technic	125.61
Lux Industries	101.31
Siyaram Silk	101.16
Rupa and Comp	93.37
MayurUniquoter	87.17
Filatex India	84.85
Kitex Garments	81.46
Century Enka	76.58
Dollar Ind	75.25
Raymond	73.82
S P Apparels	69.7

Table 2: Net profit ratio of the selected textile companies in India

Net Profit	2019 Mar	2018 Mar	2017 Mar	2016 Mar	2015 Mar
Alok Industries	72.94	-341.52	-43.08	-35.79	1.57
Bombay Dyeing	27.76	1.29	-7.70	-4.62	1.03
Page Industries	13.81	13.59	12.51	13.04	12.70
Trident	7.10	5.82	7.29	6.20	3.13
KPR Mill	9.70	8.95	10.74	7.96	7.01

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From the above table, in the financial year 2018-2019 highest net profit ratio 72.94 percent obtained by Alok industries, low net profit have obtained by Trident company is 7.10. In the year 2017- 2018 lowest value net profit have obtained by Alok industries is -341.52. In the financial year 2016-2017 highest net profit ratio 12..51 percent obtained by Page industries and the lowest net profit ratios have obtained by the Alok industries is -43.08. In the year 2015-2016, the highest net profit ratios have obtained by Page industries are 13.04 and the lowest net profit ratios have obtained by the Alok industries is -35.79. In the Financial year, 2014-2015 the highest net profit have obtained by Page industries is 12.70 and the lowest value have obtained by Bombay Dyeing company is 1.03.

6. CONCLUSION

The Indian textile and clothing industry, the oldest industry of the country, which meets one of the basic needs of the population i.e., clothing, will have to be supported and strengthened and for this purpose, the Government and the industry should work to together. India is poised to become an even bigger participant on the global front, both as a consumer and as a producer. The Indian Textile Industry has the advantage of a large and very attractive domestic market and low-cost production. However, in order to become a leading FDI destination in the textile and apparel sector, a lot needs to be done. The Government needs to work on a focused 'Pull Strategy'. The way ahead is to identify and highlight the key strengths, the available resources and the large growing domestic market through focused marketing efforts.The study concludes that there is a significant difference in the profitability performance of selected textile companies in terms of net profit ratio. AlokIndustries has been leading in all textile industries in terms of net profit ratio followed by Bombay dyeing, Page industries. Trident and KPR mill.But, Page industries have provided a good growth position compare to all other companies. The textile companies can use this study for better financial management.

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