

A study on financial performance analysis of selected listed companies with reference to textile industries

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Abstract. India's textile sector contributes significantly to the nation's economy. When it comes to creating jobs and bringing in foreign currency, this is one of India's largest sectors. The robustness of the Indian textile industry's finances is the main topic of the paper. And to understand how efficiently the textile industry has utilised its resources so far. Profitability, liquidity and solvency positions of textile enterprises have been investigated for this purpose. The comparative ratio analysis method has been utilised in this article to determine whether textile companies are financially sound. Paul G. Hastings stated that "finance is the management of the affairs of the company." Determining the costs associated with acquiring the funds on the most favourable terms possible and allocating the available funds to the best uses.

1 Introduction

Finance is regarded as the life blood of every business concern. This is because in the modern money-oriented economy, finance is one of the basic accesses to the sources for being employed in manufacturing and merchandising activities. It has rightly been said that business needs money only when it is properly managed. Hence, efficient management of every business enterprise is closely linked with efficient management of finance. The providing of money when it is needed is generally referred to as finance. However, it has a unique significance as a management role. The acquisition of funds and their efficient use might be referred to as the finance function.

The providing of money when needed is referred to as finance. Every business needs money to get off the ground and run. An organization's lifeblood is its finances. Therefore, money needs to be managed wisely. The main purpose of financial statements is to aid in decision-making. Financial statement analysis is the act of accurately developing a strategic relationship between the components of the balance sheets and the profit and loss account in order to identify the firm's financial strengths and weaknesses. Financial statement analysis can be done using a variety of methods and techniques, including ratio analysis, trend analysis, common size statements, fund flow and cash flow analysis, and comparative statements. Many parties employ financial statement analysis while making decisions.

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Reviewing and analysing a company's financial accounts in order to improve financial decisions is known as financial statement analysis. Many different stakeholders use it. Every management strives to make the greatest and most lucrative use of its resources. The key indicator of a company's effectiveness and financial health is profitability. An review of the company's financial statements is required to determine whether the organization's strategies are lucrative or not.

1.1 Statement of the problem

In the economic development of a country like India, the company's organizational form is followed. But now it not only affects companies, but also affects the industry as a whole, the economy as a whole and deals with national welfare. This study focuses only on the formula of analyses the stock return rate. For example, how much assets are used in an asset, how much the capital's debt portion contributes to the company, and how the company's operating efficiency is, what the overall impact of these three components together is. The drivers of shareholder returns and their impact on shareholders are critical to understanding the entire organization and investors.

1.2 Scope of study

The balance sheet and profit & loss accounts of a corporation are useful sources of data for identifying risk taking and evaluating the efficacy of risk management. Although amounts found on these statements does not provide valuable insights of performance so financial analysis and Interpretation is required for determining good or bad performance of company and also for determining its causes. The study explains the computation of various financial ratios, Trend analysis, comparative income and Balance sheet, common size cash flow and fund flow statements. It compares five years financial statements of the organisation to know its performance in these different years. This report includes the findings of the study done in order to give better suggestions.

- This researcher has attempted by taking the five years financial statements of the company.
- For the analysis of data, the simple percentage method is used and the data is shown by using some graphs.
- Finally, the study has helped in many ways to acquire the knowledge about the company performance and its profitability.

1.3 Objectives of study

1. To evaluate the financial growth of selected textile industries using trend analysis.
2. To compare and interpret the financial statements of selected companies in textile industries.

2 Research methodology

Research Methodology is a method to solve the research problem systematically. It involves gathering data, use of statistical tools and techniques, interpretation and drawing conclusion about the research data.

2.1 Research design of the study

The annual financial statement of organization was considered for analyzing the data. When measurement of ratio analysis for any company, must be used in annual financial report. Financial statements for ratio analysis of selected textile industry such as balance sheets an income statement, cash flow statement, statement of shareholder's equity. As the study is aimed at predicting the financial efficiency. Analytical research design is adopted.

2.2 Period of study

The period of the study covers from 2017-2018 to 2021-2022.

Sources of Data

Financial analysis of selected textile industry necessitates accurate and reliable data. Therefore, the sources for collecting the data include both primary and secondary data.

2.3 Primary data

Data collected is extracted from the personal discussion with the financial executives.

2.4 Secondary data

Secondary data is derived from annual reports of the company.

2.5 Selected companies

- C1- Kitex textiles
- C2- Century textiles
- C3- Siddheswari textiles
- C4- VIP clothing
- C5- Soma textiles
- C6- Globe textiles
- C7- Surat textiles
- C8- Vardhman textiles

2.6 Tools and techniques

- Ratio analysis
- Trend Analysis
- Analysis of Variance
- Correlation Analysis

3 Review of literature

Md. Ali Imran [1] This study demonstrates how the analysis of financial statements can be used to forecast a company's future plans as well as provide information on the company's financial status and current situation. The results of the current study are interpreted in terms of production, administration, and sales and are primarily based on secondary data that was collected from the sample unit. It indicates that the firm's financial situation is strong. Upon further development. By looking at the financial statements of various companies, an economist can determine the level of economic power concentration and

potential risks in the financial policies implemented. The analysis also forms the basis for a number of legislative actions involving licenses, restrictions, price fixing, profit caps, dividend freezes, tax subsidies, and other concessions to the industry.

S. Ramalakshmi [2] The four key components of the handloom industry—Modern Textile Mills, Independent Power Looms, Handlooms, and Textiles—that have contributed significantly to the economy of our nation are explained in this study. Handloom has the advantages of requiring less capital investment, being environmentally friendly, and naturally adapting to market demands. Handloom is primarily a decentralized industry made up of weavers from the weaker sectors of society who primarily weave for domestic purposes and have some control over the textile industry's production. The expertise and originality of weavers help to preserve the traditional crafts of various States. The handloom industry can satisfy demands for everything from lovely fabrics to popular mass-produced items for everyday use.

Priyanka Subhash [3] According to this study, the ratio can give a precise interpretation of the company's overall health. We can infer from the ratio that Bajaj Steel Industries has been successful primarily as a result of its low net profits ratio. The fact that the net profit margin is average indicates that the direct cost comparison is flawed. The company is in a good liquidity position, which indicates that it can continue to rely on its current assets to pay its short-term obligations without incurring long-term debt. It has been advised that a company with poor performance should look into ways to increase sales during times of low demand in order to increase profitability and financial resources for the company's expansion and growth.

C. Manikanan [4] This study shows that efforts have been made to analyze the financial statements and gauge performance in terms of profitability and asset utilization. Describe in detail the research approach taken for the study that examined the historical and current performance of the global textile industry. The study purely relies on secondary data, which were collected for a period of five years from the audited annual reports of the company and maintained and made available organizations viz. in order to understand how the industry performed after being assessed using five financial ratios. The project made use of accounting ratios and financial statement analysis, specifically, profitability ratios, which could have an impact on the firm's financial statements. The company is in a strong position overall.

Mohid Saad Khan [5] The purpose of this study is to use ratios to analyze the fundamental positions of significant listed FMCG companies. According to fundamental analysis, all of the fundamental factors affect a company's share price. ITC and NESTLE were selected for the study's focus, and analysis of the past three years' computed data for the ratios of net profit margin, gross profit margin, price to earnings, debt to equity, and dividend payout ratio was conducted. This study offers a precise presentation of information and recommendations that will aid both novice and experienced investors in understanding key facets of investing. This study assists investors in selecting a secure investment and locating potential future growth opportunities. According to fundamental analysis, no inventor should invest in or sell

Mohammad Yazdi [6] This study reveals the labor-intensive nature of the textile and apparel industries, which are now in decline due to low added-value products and high water and energy inputs required for fabric production. The textile and apparel industry is also one of the most significant consumer goods sectors, with a lengthy supply chain from the distribution of fibers to the final consumer. This industry has recently been affected by the rise in the cost of raw materials like cotton, which has decreased manufacturer profits. Businesses started looking for a new approach with the production of high-tech and technically challenging textiles in order to get around some obstacles.

Alka Khatri [7] This study discusses the causes, which include rising client incomes and quick changes in consumer preferences. FMCGs have an advantage over other industries in increasing profits thanks to large-scale production, contemporary retailing policies, branding, and distribution networks. However, the entry of MNCs into the Indian market put domestic FMCG companies in danger. Regression analysis is used in the study to look into the factors connected to liquidity. It is based on secondary data that has been gathered. The research's findings help the company identify trends in the short- and long-term financial variables that forecast the liquidity in particular FMGC companies. According to the study, the FMCG companies' overall financial health was satisfactory. To put it another way, diversification has helped

4 Results and discussion

Table 1. Current ratio

Year	C1	C2	C3	C4	C5	C6	C7	C8
2017 - 2018	3.82	0.42	30.96	0.81	1.79	0.77	2.67	1.34
2018 - 2019	1.97	0.51	31.79	0.77	1.51	0.85	2.91	1.35
2019 - 2020	2.22	0.74	35.21	0.76	1.39	0.85	8.19	1.62
2020 - 2021	6.77	0.87	33.47	0.75	1.17	0.82	11.34	2.13
2021 - 2022	3.31	0.61	31.93	0.78	0.99	0.86	5.57	1.71
Total	18.09	3.15	163.36	3.87	6.85	4.15	30.68	8.15
Average	3.618	0.63	32.672	0.774	1.37	0.83	6.136	1.63
S.D	1.92	0.18	1.68	0.02	0.31	0.04	3.68	0.32
C.V(%)	3.69	0.03	2.83	0	0.1	0	13.51	0.1
Skewness	1.42	0.3	0.94	1.03	0.2	1.46	0.62	0.97
Kurtosis	2.12	-1.21	0	1.13	-0.56	1.67	-1.12	0.63

In this above given table current ratio shows all companies skewness noticed on positively. While negative kurtosis noticed on Century, Soma and Surat and other companies' current ratio noticed on Platykurtic since kurtosis values are less than 3 of all companies.

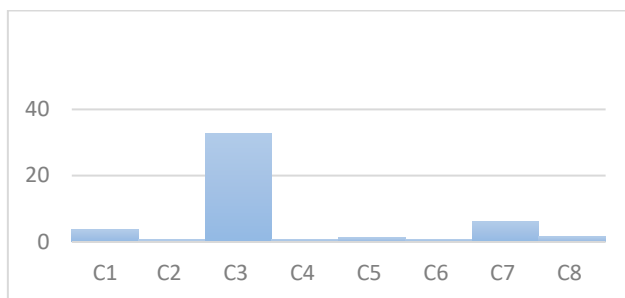


Fig. 1. Current ratio – Average

Table 2. Net profit ratio

Year	C1	C2	C3	C4	C5	C6	C7	C8
2017 – 2018	12.56	4.53	0	1.38	9.94	1.36	4.08	9.32
2018 – 2019	13.42	154.06	11.05	2.98	44.64	1.45	5.61	10.84
2019 – 2020	14.71	13.15	33.63	8.65	22.7	1.67	4.32	8.62
2020 – 2021	13.15	1.21	0	0.73	167.52	0.09	0	6.05
2021 – 2022	16.27	5.02	0	1.21	113.21	1.33	0	17.87
Total	70.11	177.97	44.68	14.95	358.01	5.9	14.01	52.7
Average	14.022	35.594	8.936	2.99	71.602	1.18	2.802	10.54
S.D	1.48	66.37	14.61	3.28	66.31	0.62	2.62	4.45
C.V(%)	2.2	4404.98	213.45	10.73	4463.01	0.39	6.88	19.79
Skewness	0.98	2.21	1.73	1.9	0.82	-1.97	-0.38	1.39
Kurtosis	0.04	4.91	2.73	3.62	-1.2	4.19	-2.89	2.56

In this above given table negative skewness noticed on Globe India and Surat and other companies net profit ratio shows positive skewness. Leptokurtic noticed on Century, Siddeshwari and Globe India since kurtosis values greater than 3. And other companies net profit ratio noticed on Platykurtic since kurtosis values less than 3.

4.1 Analysis of variance

Table 3. Anova - Net profit ratio

	Sum of Squares	Df	Mean Square	F	Sig.
Between	20369.336	7	2909.905	2.552	0.033

Groups					
Within Groups	36485.717	32	1140.179		
Total	56855.053	39			

H₀ - There is a significant difference among the net profit ratio of selected companies in textile industry

From the levels of significance (0.033). (0.033 > 0.05) hence they accepted the null hypothesis (H₀) and rejected the alternative hypothesis (H₁) from above significant difference among net profit ratio of textile industry.

Table 4. Anova - operating profit ratio

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4626.065	7	660.866	1.923	0.098
Within Groups	10994.848	32	343.589		
Total	15620.913	39			

H₀ - There is significant difference among the operating profit ratio of selected companies in textile industry.

From the levels of significance (0.098). (0.098 > 0.05) hence they rejected the alternative hypothesis (H₁) and accepted the null hypothesis (H₀) from above significant difference among operating profit ratio of textile industry.

Table 5. Anova - inventory turnover ratio

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1482.430	7	211.776	1.543	0.189
Within Groups	4392.665	32	137.271		
Total	5875.096	39			

H₀ - There is significant difference among the inventory turnover ratio of selected companies in textile industry.

From the levels of significant (0.189). (0.189 > 0.05) hence they rejected the alternative hypothesis (H₁) and accepted the null hypothesis (H₀) from above significance difference among inventory turnover ratio of textile industry.

Table 6. Anova - fixed assets turnover ratio

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	493.829	7	70.547	13.407	0.000
Within Groups	168.382	32	5.262		
Total	662.211	39			

H₀ - There is no significant difference among the fixed asset turnover ratio of selected companies in textile industry.

From the levels of significant (0.000). (0.000 <0.05) hence they accepted the alternative hypothesis (H1) and rejected the null hypothesis (H0) from above significance difference among fixed asset turnover ratio of textiles industry.

Table 7. Anova - investments turnover ratio

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	493.829	7	70.547	13.407	0.000
Within Groups	168.382	32	5.262		
Total	662.211	39			

H₀ - There is no significant difference among the investments turnover ratio of selected companies in textile industry

From the levels of significant (0.000). (0.000 <0.05) hence they accepted the alternative hypothesis (H1) and rejected the null hypothesis (H0) from above significance difference among investments turnover ratio of textile industry.

Table 8. Anova - absolute liquid ratio

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	376.504	7	53.786	3.802	0.004
Within Groups	452.703	32	14.147		
Total	829.207	39			

H₀ - There is no significant difference among the absolute liquid ratio of selected companies in textile industry.

From the levels of significant (0.004). (0.000 <0.05) hence they accepted the alternative hypothesis (H1) and rejected the null hypothesis (H0) from above significance difference among absolute liquid ratio of textile industry.

Table 9. Correlation analysis

		ATR	OPR	NPR	ITR
ATR	Pearson Correlation	1	-0.317*	-0.214	0.367*
	Sig. (2-tailed)		0.046	0.184	0.020
	N	40	40	40	40
OPR	Pearson Correlation	-0.317*	1	0.378*	-0.158
	Sig. (2-tailed)	0.046		0.016	0.329
	N	40	40	40	40
NPR	Pearson Correlation	-0.214	0.378*	1	-0.034
	Sig. (2-tailed)	0.184	0.016		0.834
	N	40	40	40	40
ITR	Pearson Correlation	0.367*	-0.158	-0.034	1
	Sig. (2-tailed)	0.020	0.329	0.834	
	N	40	40	40	40
*Correlation is significant at the 0.05 level (2-tailed)					

ATR- Assets turnover ratio

OPR- Operating profit ratio

NPR- Net profit ratio

ITR- Inventory turnover ratio

- The correlation value for Asset Turnover Ratio (ATR) and Operating Profit Ratio (OPR) is (-)0. 317.The correlation value for Asset Turnover Ratio (ATR) and Net Profit Ratio (NPR) is (-)0. 214.Calculated correlation value for Asset Turnover Ratio (ATR) and Inventory Turnover Ratio (ITR) is 0.367. Asset Turnover Ratio (ATR) Negatively correlated with Operating Profit Ratio (OPR) and Net Profit Ratio (NPR). Asset Turnover Ratio (ATR) Positively correlated with Inventory Turnover Ratio (ITR).
- The correlation value for Operating Profit Ratio (OPR) and Asset Turnover Ratio (ATR) is (-)0. 317.The correlation value for Operating Profit Ratio (OPR) and Net Profit Ratio (NPR) is 0. 378.Calculated correlation value for Operating Profit Ratio (OPR) and Inventory Turnover Ratio (ITR) is (-)0.158. Operating Profit Ratio (OPR) Negatively correlated with Asset Turnover Ratio (ATR) and Inventory Turnover Ratio (ITR). Operating Profit Ratio (OPR) Positively correlated with Net Profit Ratio (NPR).
- The correlation value for Net Profit Ratio (NPR) and Asset Turnover Ratio (ATR) is (-)0.214.The correlation value for Net Profit Ratio (NPR) and Operating Profit Ratio

(OPR) is 0.378. Calculated correlation value for Net Profit Ratio (NPR) and Inventory Turnover Ratio (ITR) is (-)0.034. Net Profit Ratio (NPR) Negatively correlated with Asset Turnover Ratio (ATR) and Inventory Turnover Ratio (ITR). Net Profit Ratio (NPR) positively correlated with Operating Profit Ratio (OPR).

- The correlation value for Inventory Turnover Ratio (ITR) and Asset Turnover Ratio (ATR) is 0.367. The correlation value for Inventory Turnover Ratio (ITR) and Operating Profit Ratio (OPR) is (-) 0.158. Calculated correlation value for Inventory Turnover Ratio (ITR) and Net Profit Ratio (NPR) is (-)0.034. Inventory Turnover Ratio (ITR) Negatively correlated with Operating Profit Ratio (OPR) and Net Profit Ratio (NPR) and Inventory Turnover Ratio (ITR).

5 Findings and suggestions

- In the current ratio, it shows all companies skewness noticed on positively. While negative kurtosis noticed on C2, C5 and C7 and other companies' current ratio noticed on Platykurtic since kurtosis values are less than 3 of all companies.
- In the gross profit ratio, it explains negative skewness noticed on C1, C5 and C6 and other companies gross profit ratio shows positive skewness. Leptokurtic noticed on C4 and C6 since kurtosis values greater than 3. And other companies gross profit ratio noticed on Platykurtic since kurtosis values less than 3.
- In the net profit ratio, it explains negative skewness noticed on C6 and C7 and other companies net profit ratio shows positive skewness. Leptokurtic noticed on C2, C4 and C6 since kurtosis values greater than 3. And other companies net profit ratio noticed on Platykurtic since kurtosis values less than 3.
- In the operating profit ratio, it explains negative skewness noticed on C1 and C6 and other companies operating profit ratio shows positive skewness. Leptokurtic noticed on C6 since kurtosis values greater than 3. And other companies operating profit ratio noticed on Platykurtic since kurtosis values are less than 3.
- In the long-term debt equity ratio, it shows negative skewness noticed on C8 and other companies long term debt equity ratio shows positive skewness. Leptokurtic noticed on C2, C4 and C6 since kurtosis values greater than 3. And other companies long term debt equity ratio noticed on Platykurtic since kurtosis values less than 3.
- In the inventory turnover ratio, it explains negative skewness noticed on C1 and other companies inventory turnover ratio shows positive skewness. Leptokurtic noticed on C2 and C5 since kurtosis values greater than 3. And other companies inventory turnover ratio noticed on Platykurtic since kurtosis values less than 3 and C5 since kurtosis values greater than 3. And other companies inventory turnover ratio noticed on Platykurtic since kurtosis values less than 3.
- In the fixed assets turnover ratio, it shows negative skewness noticed on C1, C6, C7 and C8 were other companies fixed asset turnover ratio shows positive skewness. Leptokurtic noticed on C1 since kurtosis values greater than 3. And other companies fixed asset turnover ratio noticed on Platykurtic since kurtosis values less than 3.
- In the total assets turnover ratio, it shows negative skewness noticed on C1, C4, C6 and C7 other companies total asset turnover ratio shows positive skewness. And all companies fixed asset turnover ratio noticed on Platykurtic since kurtosis values lesser than 3.

- In the absolute liquid assets, it explains negative skewness noticed on C1, C2 and C5 were other companies absolute liquid ratio shows positive skewness. And all companies absolute liquid ratio noticed on Platykurtic since kurtosis values less than 3.
- In the debt-equity ratio, it shows negative skewness noticed on C1 and other companies debt-equity ratio shows positive skewness. Leptokurtic noticed on C2 since kurtosis values greater than 3. And other companies debt-equity ratio on Platykurtic since kurtosis values less than 3.
- In the investments turnover ratio, it explains negative skewness noticed on C4, C6 and C8 other companies investments turnover ratio shows positive skewness. Leptokurtic noticed on C1 and C4 since kurtosis values greater than 3. And other companies investments turnover ratio noticed on Platykurtic since kurtosis values less than 3.
- In the assets turnover ratio, it explains negative skewness noticed on C1, C4, C6 and C7 other companies assets turnover ratio shows positive skewness. Leptokurtic noticed on C1 since kurtosis values greater than 3. And other companies assets turnover ratio noticed on Platykurtic since kurtosis values less than 3.
- In the profit before interest and tax, it shows negative skewness noticed on C1, C2, C3, C5 and C6 other companies profit before interest and tax ratio shows positive skewness. Leptokurtic noticed on C4 and C6 since kurtosis values greater than 3. And other companies profit before interest and tax ratio noticed on Platykurtic since kurtosis values less than 3.
- In the expenses ratio, it explains negative skewness noticed on C1, C2 and C6 other companies expenses ratio shows positive skewness. Leptokurtic noticed on C5 since kurtosis values greater than 3. And other companies expenses ratio noticed on Platykurtic since kurtosis values less than 3.
- In the cash earning retention ratio, it shows negative skewness noticed on C1, C4 and C8 other companies cash earning retention ratio shows positive skewness. Cash earning retention ratio shows negative kurtosis of C1, C4 and C8. Platykurtic kurtosis values noticed on lesser than 3.
- The current assets during the study period C1 and C5 for the first 3years increases and decreases and again increased during 2021-2022. Where C3 shows that decreasing trend in current asset while the C6 and C8 increased drastically during the year 2017-2018 to 2021-2022. And this table shows highest growth rate in the trend C6 and C8 and lowest growth rate in the trend C1, C3 and C5 respectively

5.1 Suggestions

- From the given suggestions it can be clearly seen from the findings that tools used for financial statements are skewness, kurtosis, trend analysis, ANOVA and correlation. As a result, it has been advised that the company should consistently focus on increasing sales every year. Through aggressive advertising, the business must increase sales.
- The businesses should earn the creditors' trust in order to establish their creditworthiness.
- The company should increase the additions of fixed assets while maintaining its current asset position.
- The business should focus on lowering its costs by concentrating on selling, distribution, and administrative costs

6 Conclusion

This study is useful in understanding the financial situation of the company. The study's findings support the conclusion that the company has good financial stability and that it

should focus more on finding ways to increase its net profit. One practical way to boost the net profit is by cutting costs and implementing cost control strategies across all departments. The business should think about converting short-term debt to long-term debt and focus on enhancing inventory control. With regard to the acquisition of fixed assets, inventory, and for the sale of goods and services, there is an adequate internal control over the processes that starts with the size of the company and the nature of the business. In the company, financial management is crucial.

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