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"A Study of Analysis of Financial Performance of Selected Textile Company in India."

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Abstract:

The Indian textile sector is aggressively expanding and is widely recognized worldwide. Over the recent five years, investment in the textile industry has increased. It also adopts the necessary measures to produce export-oriented goods, luring in new investment from both domestic and international sources. By 2025–2026, the Indian textile and apparel market is projected to increase at a 10% CAGR, totaling US$190 billion (2). India accounts for 4% of global textile and clothing trade. Because of this, the study concentrated on the financial performance and analysis of the top five textile industries (Trident Ltd., Arvind Ltd., Welspun Ltd., Vardhman Ltd., Raymond Ltd., and Arvind Ltd.). It also made predictions about the trend value of a chosen group of textile companies. This study's goal is to evaluate the financial performance and growth of the chosen textile companies while conducting a comparative analysis of their financial performance and soundness during the course of the five-year study period (2019–2023). The study's conclusions indicate that the financial performances of the textile industries have varied greatly in terms of growth rate, trend analysis, and efficiency position. Arvind Ltd has been leading all textile companies in terms of growth rate, followed by Trident, Welspun, Vardhman, and Raymond Ltd. These businesses have kept their current asset level greater than their current liability level, which has helped them retain a better position. This study would help the shareholders, investors, policymakers, managers and researchers, also to people who are involved in financial decision.

JEL Classification Code: *M0, M1, M4, Y1*

Key Words: *Textile industries, financial performance, Annual growth rate, Profit.*

INTRODUCTION:

In India, cloth assiduity has historically produced the greatest amount of employment opportunities for both skilled and unskilled labor, second only to husbandry. In India, the alternate-largest industry for creating jobs is still the fabric industry. Over 35 million people in the nation can get direct job thanks to it. The Indian textile and apparel market is expected to grow at a 10% compound annual growth rate (CAGR) to reach US$190 billion by 2025–2026. India accounts for 4% of global textile and clothing trade. Over 45 million people are employed in India's textile and garment sector, which has a solid market value of over $100 billion and accounts for 14% of the country's industrial output. The Confederation of Indian Industry (CII) projects that the country's textile sector will produce $250 billion by FY25, growing at a 12% CAGR from FY22 to FY25. There are further than 3400 cloth weaving manufactories and 4,135 cloth finishing manufactories in all of India. The second-biggest buyer of fiber is India. The nation is the biggest consumer of jute and cotton in the world. Additionally, India is the second-biggest buyer of silk globally. Additional fibers manufactured in India include wool and synthetic fibers. A few of the international clothing businesses that have investments or operations in India are Levi's, Benetton, Promod, Zara, and Marks & Spencer. With the textile industry accounting for more than 2% of the GDP overall and more than 12% of the GDP of the manufacturing sector, it is one of the most important economic sectors in India. Based on a survey by Technopak Advisor, the Indian textile and apparel sectors are projected to reach a value of US$ 223 by 2021. The value chain in the cloth industry is distinct, spanning from fiber to ready-made clothing. With 4% of the world's fabric and apparel trade, India ranks as the sixth-largest exporter of clothing worldwide. The government has taken a number of steps to support the cloth industry, including capacity building, technology upgrades, and increasing job creation, in light of the industry's potential to create jobs and export revenue. The Product Linked Incentive Scheme was introduced in September 2021 to encourage investments in clothes and fabric made of synthetic materials.

STATEMENT OF PROBLEM:

Industries are meeting one of the most basic needs of people in order to sustain continuous growth and improve living standards. It holds a unique position as an independent company that adds substantial value at every stage of the production process, from the production of raw materials to the delivery of completed items. It significantly affects the country's economy. The textile industries are currently dealing with a number of problems, such as a lack of working capital, power, labor, raw materials, and outdated technology that is not being fully utilized. Other problems include a lack of sound infrastructure support, high production costs, low profitability, and incompetent managers. These factors ultimately hurt the bottom line of companies. An industry's entire financial performance is a crucial indicator of its growth, which accounts for growth rate, trend value, and efficiency. As a result, this study attempted to evaluate the financial outcomes of textile businesses.

LITERATURE REVIEW:

- (Jayanthi & Lavanya, 2022) in their research paper titled “Financial performance analysis of textile companies in Tamilnadu with reference to Coimbatore –A study” , Using a sample of five organizations, the researcher conducted a study on the financial performance of textile enterprises by taking into account a number of dependent and independent criteria. The study ran from 2014 to 2019, or for a total of 5 years. The research utilized statistical tools such as arithmetic mean, coefficient of variance, and deviation. The results showed that the financial performance of the chosen companies was generally moderate, primarily due to rising raw material costs and a strong influence from supply and demand. It also showed a somewhat direct correlation with automobile sales. Additionally, the net profit of every company that was chosen was falling.

- **(**PoliBoruah, 2022) in this research article titled “The financial performance of the textile industry: an empirical study” essentially, this paper will use a variety of measures, such as profitability, liquidity, solvency, and breakeven point, to conduct a thorough analysis of several variables that have an impact on the financial performance. The author's conclusion in the end stated that ratios and financial performance are related.

- (Nithya & Dharshini, 2019) in their research paper titled "A study on Financial performance analysis of textile industries in India", a sample of five industries—Welspun, Vardhaman, Trident, Raymond, and Arvind—were chosen for the study, and the researchers used some dependent and independent parameters to examine the financial performance of the textile companies. The study was carried out between 2012 and 2013 again between 2016 and 2017.The aim of the study was to examine the expansion of specific sectors in India. The study's findings indicated that, with regard to growth rate, trend analysis, and efficiency position, all textile sectors performed significantly differently financially. Additionally, investors, policymakers, textile firms, and other scholars will find this information useful.

OBJECTIVE:

- To research the expansion of India's top five textile companies.
- To make comparative analyse of their financial soundness and performance under the study period (i.e. for a duration of five years, from 2019 to 2023.)
- Conduct research to evaluate the monetary performance of particular textile enterprises.

SCOPE OF THE STUDY :

The study's scope is restricted to the top five textile firms in India, and it was conducted over a five-year period, from 2019 to 2023.Research is used to determine whether businesses have appropriately planned their financial requirements, whether they have sufficient present assets and finances to pay off their debts, and to determine how efficient their operations are.

RESEARCH METHODOLOGY:

Source of information:

Secondary data served as the study's foundation. Data was gathered from the companies' official websites, annual reports, scholarly articles, reports issued by the IBEF, and other publications, books, journals, and websites pertaining to textile companies were used to supplement the data for increased reliability.

Time frame for the investigation:

- Data covered of the financial year 2019-2023.

Samples:

1. The study's top 5 textile firms are as follows:
2. Arvind Ltd.
3. Vardhman Textiles Ltd.
4. Welspun India Ltd.
5. Raymond Ltd.
6. Trident Ltd.

Tools for the Analysis:

- Growth rate analyzed for the sales turnover.

Limitation of the study:

- The study has done by using secondary data.
- This study only covers the time period of 5 years only (2019-2023).

- Various statistical & accounting tools extensively used for the study have their own incidental limitation.

ANALYIS & INTERPRITATION:

ARVIND LTD'S GROWTH RATE

Table 1

YEAR	ACTUAL VALUE	AGR	CAGR
2019	6242.92		
2020	6434.91	-3.08	
2021	4348.79	-32.42	
2022	7045.49	62.01	
2023	7478.48	6.15	
AAGR		**8.17**	
CAGR			**4.62%**

Inference:

The yearly growth rate and compound annual growth rate for the years 2019–2023 are shown in Arvind Ltd.'s growth table. The annual percentage rate (AGR) reaches a high of 62.01% in 2022 and a low of -32.42% in 2021. The yearly growth rate on average is 8.17%. 4.62% is the compound annual growth rate.

VARDHMAN LTD'S GROWTH RATE

Table 2

YEAR	ACTUAL VALUE	AGR	CAGR
2019	6348.49		
2020	6250.25	1.55	
2021	5718.47	8.51	
2022	9177.29	-60.49	
2023	9840.79	-7.22	
AAGR		**-14.41**	
CAGR			**11.58%**

Inference:

The yearly growth rate and compound annual growth rate for the years 2019–2023 are shown in Vardhman Ltd.'s growth table. The annual percentage rate (AGR) reaches a peak in 2021 at 8.5% and a record low of -60.49% in 2022. The yearly growth rate on average is -14.41%. 11.58% is the compound annual growth rate.

WELSPUN LTD'S GROWTH RATE

Table 3

YEAR	ACTUAL VALUE (in Cr.)	AGR	CAGR
2019	5108.16		
2020	5071.39	0.72	
2021	5690.22	-12.20	
2022	6432.15	-13.04	
2023	5654.62	12.09	
AAGR		**-12.43**	
CAGR			**2.57%**

Inference :

The yearly growth rate and compound annual growth rate for the years 2019–2023 are shown in Welspun Ltd.'s growth table. In the year 2022, the AGR is 12.09%, which is high, and -13.04%, which is low. The yearly growth rate on average is -12.43%. 2.57% is the compound annual growth rate.

RAYMOND'S GROWTH RATE

Table 4

YEAR	ACTUAL VALUE	AGR	CAGR
2019	3241.12		
2020	3156.71	2.60	
2021	1745.10	44.72	
2022	4239.35	-142.93	
2023	5743.49	-35.48	
AAGR		**-32.77**	
CAGR			**12.38%**

Inference :

The yearly growth rate and compound annual growth rate for the years 2019–2023 are shown in Raymond Ltd.'s growth table. The annual percentage rate (AGR) reaches a high of 44.72% in 2021 and a low of -142.93% in 2022. The yearly growth rate on average is -32.77%. 12.38% is the compound annual growth rate.

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TRIDENT LTD'S GROWTH RATE OF

Table 5

YEAR	ACTUAL VALUE	AGR	CAGR
2019	4888.69		
2020	4387.90	10.24	
2021	4173.84	4.88	
2022	6346.49	-52.05	
2023	5935.77	6.47	
AAGR		**-7.62**	
CAGR			**4.97%**

Inference :

The yearly growth rate and compound annual growth rate for the years 2019–2023 are shown in Trident Ltd.'s growth table. The annual percentage rate (AGR) peaks in 2020 at 10.24% and troughs at -52.05% in 2022. The yearly growth rate on average is -7.62%. 4.97% is the compound annual growth rate.

FINDINGS :

Growth rate :

Arvind Ltd. achieved the highest annual growth rate of 8.17%, Raymond Ltd. the lowest annual growth rate of -32.77%, and Raymond Ltd. the highest compound annual growth rate of 12.38%. Welspun Ltd. achieved the lowest CAGR of 2.57%.

SUGGESTION:

Trident Ltd. and Raymond Ltd. must concentrate on increasing sales and net profit in order to strengthen their profitability positions. Either the sales must increase or the costs must be decreased for both businesses. Both businesses can increase their profitability to appease investors and maintain a strong position in the market. It is suggested that in order to improve the financial efficiency of the chosen textile industries, provisions be made for the safe handling of all materials, machinery, and equipment, and that work be distributed properly among various resources, including people, money, and machinery. It is feasible to cut down on needless material movement in the textile production process by employing an appropriate structure and process sequence. The adoption of an integrated manufacturing system will result in lower expenses and waste. Additionally, businesses can lower operating costs, cut down on energy use, and use less lignite and agricultural waste products—in particular, by substituting ground nut husk for coal. All of these actions can help minimize fuel consumption.

CONCLUSION:

The study came to the conclusion that there are notable differences across the textile industries' financial performance with respect to growth rate, trend analysis, and efficiency position. Arvind Ltd. has been the fastest-growing textile company, with Trident Ltd., Welspun Ltd., Vardhman Ltd., and Raymond Ltd. following suit. By keeping their current asset level greater than their current liability level, these companies have been able to maintain a better position. The study is beneficial, especially for government, textile companies, investors, and future scholars. Textile enterprises can enhance their financial management with the aid of this study.

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