Financial Performance Analysis of Selected Textile Industries in India

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Abstract

India’s textile industry since its beginning continues to be predominantly cotton based with about 65 per cent of fabric consumption in the country being accounted for cotton. The industry is highly localised in Ahmedabad and Bombay in the western part of the country though other centres exist including Kanpur, Calcutta, Indore, Coimbatore, and Sholapur Indian textile industry has witnessed a consistent performance drive during the past few years and has played a major role in the economic growth and development of India. The financial performance of the industry can be studied with regard to various factors namely market place, competitiveness, technology, environment protection and strategic positioning. All the above some factors play a major role in the changes in financial performance of the textile industry. This article analyses the financial performance and forecasting of selected Indian textile industries.

Keywords- Textile Industry, Fabric Consumption, Financial Performance, Forecasting

I. INTRODUCTION

Indian Textile Industry is one of the leading industrial sector in the world. It was a predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of liberalized economy gave the much needed thrust to the Indian textile industry, which has now successfully become one of the largest industrial sector in the world.

Indian textile industry largely depends upon textile manufacturing and export. It also plays a vital role in the economy of the country. India earns about 30 per cent of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14 per cent of the total industrial production of the country. It also contributes around 3 per cent to the industry Gross Domestic Product (GDP) of the country. The Indian textile industry is also the largest in the country in terms of generating employment opportunities, currently generates employment opportunity for more than 35 million people. It not only generates jobs in

II. OBJECTIVES

(1). To calculate the trend value for selected financial parameters of selected textile industries in India
(2). To predict the future financial position of selected financial parameters of textile industries in India.

III. REVIEW OF THE LITERATURE

Yimin Zhang and Tianmu Wang (2010) have considered the cost structure, profitability and productivity of the Chinese textile industry and estimated the impacts of RMB appreciation on this industry for 1999–2006. It was found that the industry had suffered from very low profit margins and returns on capital. Because the input prices have been increasing, particularly since 2001, generating profits had become more difficult task for the industry. Nevertheless, the industry achieved substantial productivity growth during the period examined. Although at an inadequate level, the profitability of the industry did show some signs of improvement. As long as this trend continued, the industry could have obtained a decent level of profitability. Since 2005, the industry has faced a new challenge; the appreciation of the RMB. Based on 2006 data, it estimated the maximum rate of RMB appreciation
that the industry would be able to sustain to be approximately 5 per cent a year.

Neha Mittal (2011) has studied the determination of the capital structure choice of the selected Indian companies. The main objective was to investigate whether and to what extent the main structure theories could explain the capital structure choice of Indian firms. It has applied multiple regression models on the selected industries by taking data for the period 2001-2008. The study concluded that the main variables determining capital structure of industries in India were agency cost, assets structure, non-debt tax shield and size. The coefficients of these variables were significant at one per cent and five per cent levels.

IV. DATA AND METHODOLOGY

According to the prowess corporate database developed by CMIE, (Centre for Monitoring Indian Economy) 173 textile mills are operating in the Indian textile industry. Only thirteen textile mills in Coimbatore were listed in both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Out of thirteen companies, 12 years data are available for only nine companies and three were selected from them as sample units for the present study.

The following are the sample units which have been considered for the present study.
1. Ambika Cotton Mills Limited
2. Gangotri Textiles Limited
3. K G Denim Limited

(a) Shareholders Fund
(b) Sundry Debtors
(c) Current liabilities and provisions

V. ACTUAL AND TREND VALUES OF ANNUAL SHAREHOLDERS FUND OF THE SELECTED TEXTILE MILLS

The actual value and the computed trend values of the annual shareholders’ funds of the selected textile mills, during the study period from 1999-2000 to 2010-11 have been shown in Tables. Based on the actual value and the computed trend values the estimates of trend co-efficient of shareholders’ funds of the selected study units have also been shown in Table

It is clear from the table, that the significant difference between actual and trend values in Ambika Cotton Mills Limited, Gangotri Textiles at one per cent level. On the other hand in the case of KG Denim Limited there is significant difference between actual and trend at five per cent level.

1.2 Projected Values of Shareholders Fund
The projection obtained for shareholders fund of selected textile mills in Coimbatore District by linear growth models during the year 2011-2012 to 2016-2017 has been shown in Table 1.3. It shows that Ambika Cotton Mills Limited have more shareholders fund. It also indicates that the Gangotri Textiles Limited, KG Denim Limited, Lakshmi Mills Limited were share fund marginally.

VI. ANALYSIS OF TREND CO-EFFICIENT OF SUNDARY DEBTORS

The share of debtors in the total current assets indicates the strength of the working capital management of the respective business concern. Based on the critical analysis of the actual values and trend values of sundry debtors, the estimate of trend co-efficient for sundry debtors or the selected textile mills was also shown in Table 2.1. It was clear from the Table 2.2 that the difference between the actual sundry debtors and trend values of sundry debtors of Ambika Cotton Mills Limited, Gangotri Textiles Limited, KG Denim Limited, were significant as the “p” value is less than 0.05 at five per cent level of significance and null hypothesis was rejected while the alternative hypothesis was accepted. Finally there was a significant relationship between the actual value and trend value for sundry debtors except Gangotri Textile Limited and KG Denim Limited.

VII. ANALYSIS OF TREND CO-EFFICIENT FOR CURRENT LIABILITIES AND PROVISIONS

In Tables 3.1 and 3.2, the detailed numerical data of actual values and the computed trend values of the current liabilities and provisions have been shown.

The data based on these two values, the estimates of trend co-efficient for current liabilities and provisions have also been worked out and shown in Table 3.1. From the Table 3.1 it reveals that the difference between actual current liabilities and provisions and trend values of current liabilities and provisions was significant in Ambika Cotton Mills Limited, Gangotri Textiles Limited, KG Denim Limited, as the ‘p’ values were less at one per cent level of significant and the null hypothesis was rejected while the alternative hypothesis was accepted.

Projected values of current liabilities and provisions
Table 3.2 which clearly indicates the trend movement for current liabilities and provisions of selected textile mills in Coimbatore District.

There was a consistent and continuous increasing trend every year (2011-12 to 2016-17) in certain textile mills namely Ambika Cotton Mills Limited, Gangotri Textiles Limited, KG Denim Limited.
### TABLE 1.1
Actual And Trend Values of Annual Shareholders Fund of the Selected Textile Mills (In Million)

<table>
<thead>
<tr>
<th>Yr</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual value</td>
<td>Trend value</td>
<td>Actual value</td>
</tr>
<tr>
<td>1999-00</td>
<td>295.0</td>
<td>127.35</td>
<td>268.6</td>
</tr>
<tr>
<td>2000-01</td>
<td>335.8</td>
<td>255.12</td>
<td>263.0</td>
</tr>
<tr>
<td>2001-02</td>
<td>343.0</td>
<td>382.89</td>
<td>215.2</td>
</tr>
<tr>
<td>2002-03</td>
<td>415.5</td>
<td>510.66</td>
<td>251.9</td>
</tr>
<tr>
<td>2003-04</td>
<td>529.5</td>
<td>638.43</td>
<td>303.5</td>
</tr>
<tr>
<td>2004-05</td>
<td>645.0</td>
<td>766.20</td>
<td>317.0</td>
</tr>
<tr>
<td>2005-06</td>
<td>974.6</td>
<td>893.97</td>
<td>309.3</td>
</tr>
<tr>
<td>2006-07</td>
<td>982.7</td>
<td>1021.7</td>
<td>314.7</td>
</tr>
<tr>
<td>2007-08</td>
<td>1112.2</td>
<td>1149.5</td>
<td>797.2</td>
</tr>
<tr>
<td>2008-09</td>
<td>1210.2</td>
<td>1277.2</td>
<td>301.9</td>
</tr>
<tr>
<td>2009-10</td>
<td>1363.2</td>
<td>1405.0</td>
<td>880.7</td>
</tr>
<tr>
<td>2010</td>
<td>1754.0</td>
<td>1532.8</td>
<td>743.3</td>
</tr>
</tbody>
</table>

### TABLE 1.2
Projected Values of Shareholders Funds of the Selected Textile Mills (In Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>1660.58</td>
<td>804.05</td>
<td>669.145</td>
</tr>
<tr>
<td>2012-13</td>
<td>1788.35</td>
<td>858.25</td>
<td>710.456</td>
</tr>
<tr>
<td>2013-14</td>
<td>1916.12</td>
<td>912.46</td>
<td>751.767</td>
</tr>
<tr>
<td>2014-15</td>
<td>2043.89</td>
<td>966.66</td>
<td>793.078</td>
</tr>
<tr>
<td>2016-17</td>
<td>2171.66</td>
<td>1020.87</td>
<td>834.389</td>
</tr>
</tbody>
</table>

### TABLE 2.1
Actual and Trend Values of Sundry Debtors of the Selected Textile Mills (in Million)

<table>
<thead>
<tr>
<th>Yr</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual value</td>
<td>Trend value</td>
<td>Actual value</td>
</tr>
<tr>
<td>1999-00</td>
<td>15.5</td>
<td>~ 36.921</td>
<td>58.4</td>
</tr>
<tr>
<td>2000-01</td>
<td>10.7</td>
<td>~ 19.933</td>
<td>153.3</td>
</tr>
<tr>
<td>2001-02</td>
<td>1.6</td>
<td>-2.946</td>
<td>108.7</td>
</tr>
<tr>
<td>2002</td>
<td>6.8</td>
<td>14.041</td>
<td>129.9</td>
</tr>
<tr>
<td>Year</td>
<td>Ambika Cotton Mills Ltd</td>
<td>Gangotri Textiles Ltd.</td>
<td>K G Denim Ltd.</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------</td>
<td>------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>2011-12</td>
<td>166.924</td>
<td>204.902</td>
<td>205.024</td>
</tr>
<tr>
<td>2012-13</td>
<td>183.911</td>
<td>211.635</td>
<td>204.346</td>
</tr>
<tr>
<td>2013-14</td>
<td>200.898</td>
<td>218.369</td>
<td>203.668</td>
</tr>
<tr>
<td>2014-15</td>
<td>217.885</td>
<td>225.102</td>
<td>202.989</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>5.7</td>
<td>31.028</td>
<td>237.7</td>
</tr>
<tr>
<td>2004-05</td>
<td>19.2</td>
<td>48.015</td>
<td>201.7</td>
</tr>
<tr>
<td>2005-06</td>
<td>20.6</td>
<td>65.002</td>
<td>179.2</td>
</tr>
<tr>
<td>2006-07</td>
<td>52.8</td>
<td>81.989</td>
<td>174.4</td>
</tr>
<tr>
<td>2007-08</td>
<td>39.9</td>
<td>98.976</td>
<td>224.6</td>
</tr>
<tr>
<td>2008-09</td>
<td>68.4</td>
<td>115.96</td>
<td>87.0</td>
</tr>
<tr>
<td>2009-10</td>
<td>228.3</td>
<td>132.95</td>
<td>163.5</td>
</tr>
<tr>
<td>2010-11</td>
<td>208.6</td>
<td>149.93</td>
<td>215.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>234.872</td>
<td>231.836</td>
<td>202.311</td>
</tr>
</tbody>
</table>

**TABLE 2.2**
Projected Values of Sundry Debtors of the Selected Textile Mills (in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>32.5</td>
<td>48.241</td>
<td>57.5</td>
</tr>
<tr>
<td>2000-01</td>
<td>38.1</td>
<td>96.944</td>
<td>54.3</td>
</tr>
<tr>
<td>2001-02</td>
<td>136.4</td>
<td>145.64</td>
<td>48.5</td>
</tr>
<tr>
<td>2002-03</td>
<td>300.8</td>
<td>194.35</td>
<td>68.1</td>
</tr>
<tr>
<td>2003-04</td>
<td>227.3</td>
<td>243.05</td>
<td>88.5</td>
</tr>
<tr>
<td>2004-05</td>
<td>267.4</td>
<td>291.75</td>
<td>109.0</td>
</tr>
<tr>
<td>2005-06</td>
<td>378.1</td>
<td>340.46</td>
<td>122.6</td>
</tr>
<tr>
<td>2006-07</td>
<td>497.4</td>
<td>389.16</td>
<td>286.0</td>
</tr>
<tr>
<td>2007-08</td>
<td>388.2</td>
<td>437.86</td>
<td>231.8</td>
</tr>
<tr>
<td>2008-09</td>
<td>334.9</td>
<td>486.56</td>
<td>159.4</td>
</tr>
</tbody>
</table>

**TABLE 3.1**
Actual and Trend Values of Current Liabilities and Provision of the Selected Textile Mills (in Million)

**Yr** | **Ambika Cotton Mills Ltd** | **Gangotri Textiles Ltd.** | **K G Denim Ltd.** |
-------|----------------------------|---------------------------|-------------------|
| 1999-00| 32.5                       | 48.241                    | 57.5              |
| 2000-01| 38.1                       | 96.944                    | 54.3              |
| 2001-02| 136.4                      | 145.64                    | 48.5              |
| 2002-03| 300.8                      | 194.35                    | 68.1              |
| 2003-04| 227.3                      | 243.05                    | 88.5              |
| 2004-05| 267.4                      | 291.75                    | 109.0             |
| 2005-06| 378.1                      | 340.46                    | 122.6             |
| 2006-07| 497.4                      | 389.16                    | 286.0             |
| 2007-08| 388.2                      | 437.86                    | 231.8             |
| 2008-09| 334.9                      | 486.56                    | 159.4             |
### TABLE 3.2

Projected Values of Current Liabilities And Provisions of The Selected Textile Mills (in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ambika Cotton Mills Ltd</th>
<th>Gangotri Textiles Ltd.</th>
<th>K G Denim Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>632.679</td>
<td>276.680</td>
<td>800.335</td>
</tr>
<tr>
<td>2012-13</td>
<td>681.382</td>
<td>297.440</td>
<td>845.088</td>
</tr>
<tr>
<td>2013-14</td>
<td>730.085</td>
<td>318.200</td>
<td>889.840</td>
</tr>
<tr>
<td>2014-15</td>
<td>778.788</td>
<td>338.960</td>
<td>934.593</td>
</tr>
<tr>
<td>2016-17</td>
<td>827.491</td>
<td>359.719</td>
<td>979.346</td>
</tr>
</tbody>
</table>

The textile industry has an overwhelming influence in the economic development of India. Through its contribution to the industrial output, employment generation and export earnings, the industry plays a key role in the Indian economy. Currently, it contributes about 14 per cent to industrial production, 4 per cent to the GDP, more than 12 per cent to the country’s... 

VIII. SUGGESTIONS

The study units should try to increase the production so as to reap the economies of large-scale production. It will assist in raising the rate of return on capital employed. The management should try to utilize their production capacity fully in order to reduce factory overheads and to utilize their fixed assets properly. In order to increase the financial efficiency of the selected textile mills, it is suggested to control the cost of goods sold and the operating expenses. The management should try to adopt cost reduction techniques in their mills to get over this critical situation. The mills should find out other alternatives for reduce power and fuel cost. The textile mills should reduce power and fuel consumption by using lignite and agro waste product especially ground nut husk should be used as coal substitute The selected textile group of mills are the capital intensive in nature but the policy of purchase of fixed assets should be carefully planned and reviewed so that the funds may be properly utilized. For regular supply of raw materials and the final product infrastructure facilities require further improvement.

REFERENCES