



## **AN EMPIRICAL STUDY OF FINANCIAL PERFORMANCE IN SELECTED TEXTILE COMPANIES IN INDIA**

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### **Abstract:**

The textile industry playing important role in the Indian economy because Textile and apparel sector is the second largest employment provider in the country employing nearly 51 million people directly and 68 million people indirectly in 2015-16, the present study attempt to verify the financial performance of selected textile companies in India. The study uses secondary data during the year 2011-12 to 2015-16 collected from annual report of the company & money control.com. The data has analyzed using tools like Descriptive Statistic & ANOVA. The results show that Kitex Textile Company has more return compare to other sample companies & Vardhman textile has variation during the study period. It is concluded that there is no significant difference in the profitability ratios between the Textile companies & the Years shown by ANOVA test during the study period.

**Key Words:** ANOVA, Textile, Profitability & Descriptive Statistic

### **Introduction:**

India is a second largest textile fiber producer in the world. India is the largest cotton and jute producer in the world. Nine million tons of fiber production in 2015-16, India accounts for 18% of world's spindles and 9% of world's rotor. Textile and apparel sector contributes 14% to industrial production, 4% to India's Gross Domestic Product (GDP) and constitutes 15% of the country's export earnings. Textile and apparel sector is the second largest employment provider in the country employing nearly 51 million people directly and 68 million people indirectly in 2015-16. India's fiber production in 2015-16 is 9 million Tonnes in 2015-16 and is expected to reach 10 million Tonnes in 2017-18. The total fabric production in India is expected to grow to 69 billion sq. mts by 2017-18 from 66 billion sq. mts in 2015-16. Rising per capita income, higher disposable incomes, favorable demographics and shift in preference for branded products. Increase in participation of women in workforce and awareness about hygiene & safety by Indian consumers. Changing lifestyles and increasing demand for quality products are set to fuel the need for apparel. Favorable government policies and incentives for manufacturers

### **Review of Literature:**

Ketan H. Popat in his study describes that profitability is the final result of business operations. Profit earning is considered essential for the survival of business. The study was based on secondary data.

Dr. Monica Tulsian described that net income figure alone is not very helpful in determining the efficiency and performance of the business firm unless it is related to some other figures such as sales, cost of goods sold, operating expenses, capital invested etc. The primary purpose of his study has been to obtain a deep insight and full familiarity with the profitability of the companies.

Dr. Nabi Rasool, D. Dr. Prabhakar D and Narayana Gowda T, states in their paper that profitability of the firm is highly influenced by internal and external variables i.e., size of organization, liquidity management, growth of organization, component of costs and inflation rate. In their investigation, correlation and multiple regression analysis were used to find out the impact of selected profitability ratios (Gross Profit, Operating Profit, Net Profit, Earning per Share and Return of Total Assets). They state that efficiency of any organization can be judged through its profitability.

Dr. Pratibha Jain and Pro. Megha Mehta in their study explained that profit is the engine that drives the business enterprises. There should be enough profit to every firm or business enterprise to survive and grow in the long run. It shows how efficiently the management can make profit by using all resources available in the market. This study was based on secondary data to analyze profitability ratios and two ways ANOVA of return on capital employed.

Patel Dilip Kumar described that Financial analysis is the process of identifying the financial strengths and weakness of the organization from the available accounting data and financial statements. The focus of Financial Analysis is on key data in the statements. The analysis of financial statements is a process of

evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.

T. Venkatesan and Dr. S K Nagarajan in their study analyzed that finance is needed for day to operation. Profitability is the profit earning capacity which is a crucial factor contributing for the survival of the firms. The profitability level should maintain at increasing level in order to overcome this problem. The data is purely based on secondary Profitability position is major determined by the direct and indirect expenses and two away ANOVAs of ROI.

**Objectives of the Study:**

- ✓ To study the financial performance of selected Textile companies in India
- ✓ To analyze the profitability position of selected Textile companies in India

**Hypothesis:**

H<sub>0</sub> : There is no significant difference in the profitability ratios between the Textile companies & the Years

H<sub>1</sub> : There is a significant difference in the profitability ratios between the Textile companies & the Years

**Methodology of the Study:**

The study based on secondary data for the period 2011-12 to 2015-16 to analyze the Financial Performance in selected Textile companies in India. A sample size of top five Indian Textile companies listed in BSE/NSE & availability full information in the study period has been selected for study purpose. The data are collected from the annual report of the selected company and the website entitled money control.com. The analysis was done through Excel software & statistical tools like Mean, Standard deviation, Range, variance, Skewness, Kurtosis and ANOVA are used in the study.

**Profile of Sample Companies:**

**Kitex Garments Ltd:** The Company was incorporated in 1992; it commenced its production in 1996, after setting up its world-class facility on a 105 acre landscape at Kochi. It was primarily conceived with a domestic focus, intending to make the most of the strong brand power the group enjoyed in the state of Kerala

**Siyaram Silk Mills Ltd:** The company was incorporated in 29<sup>th</sup> June 1978, is a leading producer of blended fabrics in India. The company is one of the most renowned vertically integrated textile companies in the country. It operates the widest range of latest machinery in its eco-friendly plant at Tarapur, Daman and Mumbai.

**Nandan Denim Ltd:** The company was incorporated in the financial year (FY) 1994, the actual operations commenced only during FY 1999.

**Welspun India Ltd:** Welspun (I) Limited was incorporated on 17th January 1985, as a Private Limited Company in the name and style of Welspun Winilon Silk Mills Pvt. Ltd. at Mumbai. The Main Object of the Company is to manufacture Polyester filament yarns and textures yarns.

**Vardhman Textiles Ltd:** The Company was incorporated on 8th October 1973. The Company was promoted by Vardhman Spinning and General Mills Ltd. The main objective of the Company is manufacturing and spinning of cotton yarn, polyester yarn, staple yarn, acrylic yarn, acetate yarn and sewing thread.

**Data Analysis & Interpretation:**

Table 1: Descriptive statistics of GPR

Particulars	Siyaram	Kitex	Nandan Denim	Welspun	Vardhman
Mean	8.91	22.52	9.54	12.35	11.99
Standard Deviation	0.83	6.51	0.81	6.51	4.87
Sample Variance	0.68	42.40	0.66	42.37	23.76
Kurtosis	2.60	-2.99	1.94	0.43	-1.01
Skewness	1.62	0.51	0.91	-0.91	0.30
Range	2.07	13.98	2.22	16.26	12.09
Minimum	8.22	16.24	8.59	2.40	6.60
Maximum	10.29	30.22	10.81	18.66	18.69
Count	5	5	5	5	5

Source: Data computed from annual reports of the company

Table 01 reveals the descriptive statistics of GPR in selected Textile companies in India, the mean value of Kitex shows more i.e. 22.52 & the Siyaram shows the least mean value i.e. 8.91. The SD of Kitex & Welspun shows the high value i.e. 6.51 & Nandan Denim has the least value i.e. 0.81. The skewness of Welspun is showing negative value & other sample company's shows positive skewness. The Welspun has a high range value i.e. 16.26 & Siyaram shows least value of range i.e. 2.07. It shows that Kitex has More Mean value of GPR, SD & Variance during study period

Table 2: ANOVA Single factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	603.7454	4	150.9363	6.868921	0.001195	2.866081
Within Groups	439.4761	20	21.97381			
Total	1043.221	24				

Source: Data computed from annual reports of the company

\* Level of Significance at 5%

Table 02 reveals that ANOVA test results of GPR in selected Textile companies in India. The table value of F is 2.866 at 5 % level of significance. The calculated value of F is more than the table value i.e.6.868. Hence null hypothesis is accepted.

Table 3: Descriptive statistics of NPR

Particulars	Siyaram	Kitex	Nandan Denim	Welspun	Vardhman
Mean	5.37	14.13	4.45	6.98	8.22
Standard Deviation	0.46	5.55	0.79	4.89	4.02
Sample Variance	0.21	30.76	0.62	23.90	16.18
Kurtosis	2.36	-2.88	1.68	-2.00	-1.33
Skewness	1.17	0.28	-0.46	0.01	-0.27
Range	1.24	11.93	2.20	11.52	9.81
Minimum	4.87	8.60	3.27	0.84	2.79
Maximum	6.11	20.53	5.47	12.36	12.60
Count	5	5	5	5	5

Source: Data computed from annual reports of the company

Table 03 reveals the descriptive statistics of NPR in selected Textile companies in India, the mean value of Kitex shows more i.e. 14.13 & the Nandan Denim shows the least mean value i.e. 4.45. The SD of Kitex shows the high value i.e. 5.55 & Siyaram has the least value i.e. 0.46. The skewness of Kitex, Welspun & Vardhman is showing negative value & other sample company's shows positive skewness. The Kitex has a high range value i.e. 11.93 & Siyaram shows least value of range i.e. 1.24. It shows that Kitex has More Mean value of NPR, SD & Variance during study period

Table 4: ANOVA Single factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	289.9541	4	72.48853	5.0575967	0.0055587	2.8660814
Within Groups	286.6521	20	14.3326			
Total	576.6062	24				

Source: Data computed from annual reports of the company

\* Level of Significance at 5%

Table 04 reveals that ANOVA test results of NPR in selected Textile companies in India. The table value of F is 2.866 at 5 % level of significance. The calculated value of F is more than the table value i.e.5.057. Hence null hypothesis is accepted.

Table 5: Descriptive statistics of OPR

Particulars	Siyaram	Kitex	Nandan Denim	Welspun	Vardhman
Mean	11.43	25.53	15.21	20.21	18.52
Standard Deviation	0.85	7.40	0.80	4.34	4.37
Sample Variance	0.72	54.83	0.64	18.87	19.13
Kurtosis	0.35	-3.17	2.65	-1.78	0.31
Skewness	0.81	0.55	1.38	-0.06	-0.07
Range	2.14	15.16	2.13	10.59	11.78
Minimum	10.58	18.96	14.39	14.76	12.59
Maximum	12.72	34.12	16.52	25.35	24.37
Count	5.00	5.00	5.00	5.00	5.00

Source: Data computed from annual reports of the company

Table 05 reveals the descriptive statistics of OPR in selected Textile companies in India, the mean value of Kitex shows more i.e. 25.53 & the Siyaram shows the least mean value i.e. 11.43. The SD of Kitex shows the high value i.e. 7.40 & Nandan Denim has the least value i.e. 0.80. The skewness of Kitex, Welspun & Vardhman is showing negative value & other sample company's shows positive skewness. The Kitex has a high range value i.e. 11.93 & Nandan Denim shows least value of range i.e. 2.13. It shows that Kitex has More Mean value of OPR, SD & Variance during study period.

Table 6: ANOVA Single factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	562.8951	4	140.7237	7.4705731	0.0007504	2.866081
Within Groups	376.7416	20	18.83708			
Total	939.636736	24				

Source: Data computed from annual reports of the company

\* Level of Significance at 5%

Table 06 reveals that ANOVA test results of OPR in selected Textile companies in India. The table value of F is 2.866 at 5 % level of significance. The calculated value of F is more than the table value i.e.7.47. Hence null hypothesis is accepted.

**Table 7: Descriptive statistics of Return on Capital Employed**

Particulars	Siyaram	Kitex	Nandan Denim	Welspun	Vardhman
Mean	20.09	34.10	14.16	17.03	13.41
Standard Deviation	1.24	6.05	1.93	8.14	4.61
Sample Variance	1.53	36.62	3.74	66.18	21.29
Kurtosis	-1.33	-1.47	-2.97	-1.25	0.02
Skewness	0.69	-0.32	-0.15	-0.31	-0.62
Range	2.99	14.32	4.03	19.22	11.77
Minimum	18.84	25.92	12.07	5.89	6.61
Maximum	21.83	40.24	16.10	25.11	18.38
Count	5.00	5.00	5.00	5.00	5.00

Source: Data computed from annual reports of the company

Table 07 reveals the descriptive statistics of Return on Capital Employed in selected Textile companies in India, the mean value of Kitex shows more i.e. 34.10 & the Vardhman shows the least mean value i.e. 13.41. The SD of Welspun shows the high value i.e. 8.14 & Siyaram has the least value i.e. 1.24. The skewness of Kitex, Nandan Denim, Welspun & Vardhman is showing negative value & other sample company shows positive skewness. The Welspun has a high range value i.e. 19.22 & Siyaram shows least value of range i.e. 2.99. It shows that Kitex has More Mean value of ROCE, Welspun has More SD value of ROCE & Variance during study period.

**Table 8: ANOVA Single factor**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1424.607344	4	356.151836	13.76532125	1.50339	2.866081
Within Groups	517.46244	20	25.873122			
Total	1942.069784	24				

Source: Data computed from annual reports of the company

\* Level of Significance at 5%

Table 08 reveals that ANOVA test results of ROCE in selected Textile companies in India. The table value of F is 2.866 at 5 % level of significance. The calculated value of F is more than the table value i.e.13.765. Hence null hypothesis is accepted.

**Table 9: Descriptive statistics of Return on Net Worth**

Particulars	Siyaram	Kitex	Nandan Denim	Welspun	Vardhman
Mean	18.24	30.52	17.39	19.87	14.41
Standard Deviation	1.72	5.05	3.38	13.70	6.53
Sample Variance	2.95	25.48	11.46	187.59	42.70
Kurtosis	3.96	-0.22	2.11	-1.96	0.01
Skewness	1.97	0.11	-1.45	0.05	-0.13
Range	4.09	13.33	8.38	32.76	17.39
Minimum	17.14	24.00	11.82	2.84	5.49
Maximum	21.23	37.33	20.20	35.60	22.88
Count	5.00	5.00	5.00	5.00	5.00

Source: Data computed from annual reports of the company

Table 09 reveals the descriptive statistics of Return on Net Worth in selected Textile companies in India, the mean value of Kitex shows more i.e. 30.52 & the Vardhman shows the least mean value i.e. 14.41. The SD of Welspun shows the high value i.e. 13.70 & Siyaram has the least value i.e. 1.72. The skewness of Nandan Denim & Vardhman is showing negative value & other sample company's shows positive skewness. The Welspun has a high range value i.e. 32.76 & Siyaram shows least value of range i.e. 4.09. It shows that Kitex has More Mean value of RONW, Welspun has More SD value of RONW & Variance during study period.

**Table 10: ANOVA Single factor**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	759.05926	4	189.7648	3.511896	0.025072	2.866081
Within Groups	1080.6971	20	54.03485			
Total	1839.7564	24				

Source: Data computed from annual reports of the company

\* Level of Significance at 5%

Table 10 reveals that ANOVA test results of RONW in selected Textile companies in India. The table value of F is 2.866 at 5 % level of significance. The calculated value of F is more than the table value i.e.3.511. Hence null hypothesis is accepted.

Table 11: Descriptive statistics of Earning per Share

Particulars	Siyaram	Kitex	Nandan Denim	Welspun	Vardhman
Mean	72.91	13.66	8.95	17.75	65.90
Standard Deviation	15.62	8.22	3.80	19.27	36.62
Sample Variance	243.85	67.64	14.46	371.21	1341.18
Kurtosis	-1.91	-2.70	-0.89	3.44	-1.56
Skewness	0.58	0.31	0.09	1.81	-0.18
Range	35.19	17.89	9.77	47.82	85.37
Minimum	58.85	5.71	4.13	2.98	17.23
Maximum	94.04	23.60	13.90	50.80	102.60
Count	5.00	5.00	5.00	5.00	5.00

Source: Data computed from annual reports of the company

Table 11 reveals the descriptive statistics of Earning Per Share in selected Textile companies in India, the mean value of Siyaram shows more i.e. 72.91 & the Nandan Denim shows the least mean value i.e. 8.95. The SD of Vardhman shows the high value i.e. 36.62 & Nandan Denim has the least value i.e. 3.80. The skewness of Vardhman is showing negative value & other sample company's shows positive skewness. The Vardhman has a high range value i.e. 85.37 & Nandan Denim shows least value of range i.e. 9.77. It shows that Vardhman has More Mean value of EPS, SD value of EPS & Variance during study period.

Table 12: ANOVA Single factor

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	19101.4535	4	4775.363374	11.713848	4.5971	2.8660814
Within Groups	8153.36392	20	407.668196			
Total	27254.81742	24				

Source: Data computed from annual reports of the company

\* Level of Significance at 5%

Table 12 reveals that ANOVA test results of EPS in selected Textile companies in India. The table value of F is 2.866 at 5 % level of significance. The calculated value of F is more than the table value i.e.11.713. Hence null hypothesis is accepted.

**Findings:**

- ✓ The Kitex has More Mean value of GPR, NPR, OPR and ROCE i.e., 22.52, 14.13, 25.53 and 34.10 compare to other selected companies.
- ✓ The Welspun has More SD value of ROCE and RONW i.e., 8.14 and 13.70 & Variance of ROCE i.e., 66.18 during study period.
- ✓ The Vardhman has More Mean value, SD & Variance of EPS i.e., 72.91, 36.62 & 1341.18 respectively during study period.
- ✓ ANOVA test reveals that the calculated value of F is more than the table value in all cases. Hence the study reveals that null hypothesis is accepted.

**Conclusion:**

The textile industry playing important role in the Indian economy because Textile and apparel sector is the second largest employment provider in the country employing nearly 51 million people directly and 68 million people indirectly in 2015-16, The present study analyse the financial strength & weakness of textile companies in India. The results show that Kitex Textile Company has more return compare to other sample companies & Vardhman textile has variation during the study period. It is concluded that there is no significant difference in the profitability ratios between the Textile companies & the Years shown by ANOVA test during the study period.

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**Abbreviation:**

ANOVA - Analysis of variance  
GPR – Gross profit ratio  
NPR – Net profit ratio  
OPR – operating profit ratio  
ROCE – Return of capital employed  
RONW – return on Networth  
EPS – Earnings per share  
SD – Standard deviation  
DF – Degree of Freedom  
SS – Sum of Square  
MS – Mean of Square  
F – Fisher test