Analysis of Financial Ratios in Selected Indian Textile Firms

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Abstract:
The Indian textile sector is among the largest globally, boasting a vast base of raw materials and textile production. Our economy relies heavily on textile manufacturing and trade, alongside other key industries. Approximately 27% of our foreign exchange revenue comes from textile and apparel exports alone. This sector contributes roughly 14% to industrial output and 3% to the nation's gross domestic product. The textile industry also provides around 8% of the total excise revenue. Furthermore, it represents a significant 21% of overall employment within the economy, with about 35 million individuals directly engaged in textile manufacturing.

Keywords: *Ratio analysis, Textile company*

1. Introduction
The textile sector is the largest single industry in India and one of the most significant globally. It provides direct employment to approximately 20 million individuals. Textile and apparel exports make up one-third of the nation's total export value. There are 1,227 textile mills with a spinning capacity of roughly 29 million spindles. While yarn is primarily produced in these mills, fabrics are also manufactured in the power loom and handloom industries. The Indian textile industry remains largely focused on cotton, with about 65% of raw materials being cotton. The annual production of cotton cloth is around 12.8 billion units. The production of jute products, totalling 1.1 million metric tons, is the next most important segment after cotton weaving.

2. Overview of Research Unit
2.1 Reliance Textile Industry
Reliance Textiles, a sibling company of Asco Textile Group, was founded in 1950. Initially a small family-run business, the company initially dealt exclusively in printed fabrics for various international markets. In a short span, the group developed robust business relationships with trading partners from countries such as Saudi Arabia, Dubai, and other Gulf nations.

2.2 Raymond Ltd.
Years ago, while the Singhania family was developing and expanding its diverse businesses in Kanpur, Mr. Wadia was establishing a modest woollen mill near Thane Creek, approximately 40 km from Mumbai. The Sassoon family, renowned industrialists from Mumbai, soon acquired this mill and renamed it The Raymond Woolen Mills in 1925.

2.3 Bombay Dyeing & Mfg. Co. Ltd.
Founded in 1879, The Bombay Dyeing & Mfg. Co. Ltd. is the flagship company of the Wadia Group, primarily involved in the textile industry. Bombay Dyeing is one of the largest textile producers in India.

Starting as a small cotton yarn operation established by Nowrosjee Wadia in 1879, it has evolved into one of the country's most influential brands.

2.4 Grasim Bhiwani Textile Ltd.

Grasim Bhiwani Textile Ltd., a subsidiary of Grasim Industries Ltd., is a major player in polyester viscose fabric manufacturing, operating under the brands GRASIM and GRAVIERA, and also exporting its fabrics to various esteemed brands. The company has a manufacturing facility in Bhiwani, Haryana, and a Marketing & Sales Office in New Delhi. It is widely distributed through a vast network of dealers, agents, and retail outlets.

3. Review of Literature

Rakesh and Kulkarni (2023) examined the working capital of the Gujarat textile industry by evaluating five selected companies over eleven years, employing ratio analysis and descriptive statistics. Their study assessed various financial performance indicators, including effective ratios, current and quick ratios, current assets relative to total assets, sales, and turnover, using hypothesis testing and ANOVA. Similarly, Zahid and Nanik (2022) determined that the textile sector's overall performance was negatively impacted by crises, analyzing aspects such as income statements, debt repayment capacity, management, inventory sales, receivables, productivity, and fixed assets.

Nusrat and Assocham (2019) assessed the performance of 28 textile companies listed on the BSE, focusing on net sales, net profit, interest costs, raw material expenses, and power and fuel costs. Virambhai (2021) concentrated on the productivity and financial efficiency of the textile industry, highlighting the need for companies to boost production, reduce costs and operating expenses, manage liquidity effectively, and minimize power, fuel, borrowing, overheads, and interest burdens.

4. Research Methodology

The present research paper is mainly based on secondly data obtained from the annual reports of the sample units. To supplement the data different publications, various books, journals and different websites related in textile industry have been used for better reliability.

5. Tools & Techniques of Analysis

The Collected data are daily edited, classified analyzed types of relevant accounting ratios; statically techniques. The data are presented through simple classification and with the help of percentage, average and the hypothesis are tested at 5% level of significance of employ in F Test.

6. Hypothesis of the Study

1. Profit before depreciation, interest and tax to gross sales of selected units are same during the period of study.
2. Profit after tax to gross sales ratio of all units is same during the period of study.
3. PBDIT to net sales ratio of all units are same during the period of study.
4. PAT to net sales ratio of all units is same during the period of study.

6.1 PBDIT to gross sales ratio

This ratio shows the relationship between gross profits and sales. The first profitability ratio in relation to sales is the gross profits margin. PBDIT to gross sales reflects the efficiency with which management produces each unit of product. This ratio indicates the average spread between the cost of goods sold and the sales revenue. This ratio shows profits relative to sales after the deduction of production costs. And indicate the relation between production costs and selling price.

6.1.1 Formula

Gross Profit margin = PBDIT/gross sales*100

Table 1 PBDIT to Gross Sales Ratio

Year	Reliance Textile	Raymand Ltd	Bombay dyeing & Mfg. Co. Ltd	Grasim Bhiwani textile ltd	Alok Ind. ltd	Overall trade
2019	16.67%	12.08%	7.36%	15.21%	25.13%	15.29
2020	17.67%	-15.00%	-22.56%	11.71%	27.42%	19.24
2021	16.05%	9.5%	7.3%	16.74%	29.11%	15.74
2022	15.67%	-3.37%	5.00%	14.32%	27.56%	11.84
2023	11.03%	9.96%	6.00%	11.86%	24.67%	12.76
Average	15.47	2.63	3.1	13.97	26.78	

Above the Table indicates the PBDIT to gross sales ratio of textile industry? It indicates the relationship between production cost and selling price. The data was for Five Years. For reliance industry it was mixed trend. In 2019 it was 16.67%, in 2020 it was 17.67%, in 2021 it was 16.05%, in years 2022 it was 15.67%, and in year 2023 it was 15.47%. Raymond ltd ratio shows the uptown situation during year 2019 to 2023. In Bombay dyeing Mfg. Co. Ltd it was down in year 2020 and it was down in year 2020 and it was -22.56% then in year 2021 it was raised to 7.3% and again in year 2022 it was down 5% and in year 2023 it was 6%. Biwani textile ltd it was mixed trend. It neither more down or nor more increase during year 2019 to 2023 in Alok ltd it was 25.13%,24.42%,29.11%,27.56%and 24.67% respective years of 2019,2020,2021,2022, and 2023. Among all the five companies the highest average was Alok ltd and it was 26.78 and in overall trend it was highest in year 2020 and it was 19.24.

Table 2 ANOVA for PBDIT to Gross Sales

Source of Variation	SS	Df	MS	F	P-value	F crit
BSS	2257.356	4	564.3389	8.893416	0.00027	2.866081
WSS	1269.116	20	63.45581			
TSS	3526.472	24				

Above table indicates the calculate value of "F". The calculated value of "F" is less than the table value of 5% levels of significance which is 2.866. it indicates that the null hypothesis is accepted and alternate hypothesis will be rejected. It indicates that there is no significance difference in the PBDIT ratio in the units undertaken for the study for the period of the study.

6.2 PAT to Gross Sales

Net profit is obtained when operating expenses, interest and taxes are subtracted from the gross profit. The net profit margin ratio is measured by dividing profit after tax by sales. Net profit margin ratio establishes a relationship between net profit and gross sales and indicates management's efficiency in manufacturing, administering and selling the selling the products. This Ratio is overall measure of the firm's ability to turn each rupee sales into net profit. If the net profit is inadequate, the firm will fail to achive satisfactory return on shareholders' funds.

6.2.1 Formula

Net profit margin = profit after tax (PAT)/gross sales * 100

Table 3 PAT to Gross Sales

Year	Reliance Textile ind	Raymand Ltd	Bombay dyeing & Mfg. Co. Ltd	Grasim Bhiwani textile ltd	Alok ind. ltd	Overall trade
2019	9.8%	5.39%	2.3%	5.83%	8.02%	6.27
2020	10.8%	-19.37%	-17.75%	2.74%	6.28%	-3.46
2021	7.7%	1.85%	1.62%	5.68%	5.66%	4.50
2022	7.7%	-6.7%	1.2%	5.67%	4.63%	2.5
2023	5.5%	3.00%	2.6%	3.9%	0.93%	3.19
Average	8.3	-3.17	-2.006	4.76%	5.10	

Table 4 ANOVA for PAT to Gross Sales

Source of Variation	SS	Df	MS	F	P-value	F crit
BSS	489.2965	4	122.3241	3.156482	0.036491	2.866081
WSS	775.0662	20	38.75331			
TSS	1264.363	24				

Above table indicates the calculate value of "F". The calculated value of "F" is 0.03 which is less than the table value of 5% levels of significance which is 2.866. It indicates that the null hypothesis is accepted and alternate hypothesis will be rejected. It indicates that there is no significance difference in the PAT ratio in the units undertaken for the study for the period of the study. (i.e five years) all the units have different performance in relation to sales for that period.

6.3 PBDIT to Net Sales
Gross profit means PBDIT Gross profit ration indicates a higher cost of good sold. It shows whether the selling prices are adequate or not. It also indicates the extent to which selling prices are adequate or not. It also indicates the extent to which selling prices may be reduced without resulting losses. It is calculated as follows.

6.3.1 Formula
Gross profit Ratio = Gross Profit / net sales * 100

Table 5 PBDIT to Net Sales

Year	Reliance	Raymand	Bombay	Alok	Grasim Bhiwani	Overall trend
2019	17.34%	12.21%	7.60%	25.83%	16.04%	15.81%
2020	18.22%	-15.16%	-23.505	27.74%	12.24%	3.91%
2021	16.74%	9.60%	7.62	29.59%	17.29%	12.71%
2022	16.33%	-3.37%	5.29%	28.03%	14.89%	12.23%
2023	11.63%	9.28%	6.11%	25.26%	12.46%	12.95%
Average	16.05%	12.56%	0.62%	27.29%	14.58%	

The Table shows the PBDIT to gross sales ratio of five years i.e 2019,2020,2021,2022, 2023 in year 2020 the Raymond ltd and Bombay having minus PBDIT to net sales. Raymond also suffers loss in year 2022 also. After that it increases the 9.28%. above all five companies the highest ratio was alok's Ltd. Grasim having stable ration. Reliance was having mixed trend.

Table 4 ANOVA for PAT to Gross Sales

Source of Variation	SS	Df	MS	F	P-value	F crit
BSS	2367.139	4	591.7847	8.856319	0.000277	2.866081
WSS	1336.412	20	66.82062			
TSS	3703.551	24				

Above table indicates the calculate value of "F". The calculated value of "F" is 0.000277 which is less then the table value of 5% levels of significance which is 2.866. it indicates that the null hypothesis is accepted and alternate hypothesis will be rejected. It indicates that there is no significance difference in the PBDIT ratio in the units undertaken for the study for the period of the study. All the units have different performance in relation to sales for that period.

6.4 PAT to Net Sales
This is the ratio of net profit to net sales. Here profit is calculated by deducting taxes. Interest and depreciation from gross profit. It is the overall measure of a firm's ability to turn each rupee of sales into profit.

6.4.1 Formula
Net profit ratio PAT/net sales * 100

Table 7 PAT to Net Sales

Year	Reliance Textile ind	Raymand Ltd	Bombay dyeing & Mfg.Co.Ltd	Grasim Bhiwani textile ltd	Alok ind.ltd	Overall trand
2019	10.20%	5.45%	2.40%	6.15%	8.25%	6.49%
2020	11.10%	-19.56%	-18.49%	2.87%	6.35%	-3.55%
2021	8.00%	1.86	1.69%	5.87%	5.75%	4.63%
2022	7.90%	-6.70%	1.28%	5.89%	4.71%	2.62%
2023	5.60%	3.09%	2.66%	4.09%	0.95%	3.28%
Average	8.56%	-3.17%	-2.09%	4.97%	5.20%	

This table show the trend of net profit to net sales. This data was for five years. In year the NAP to net sales ration of reliance company is 10.2,11.1,8,7.9, and 5 respectively Raymond and Bombay having negative ratio in year 2020. It shows that in year 2019 it was high i.e. 32.45 and lowest in year 2022 i.e 13.08 among all five sample units the highest average was of reliance, second one was Alok with 26.01.

Table 8 ANOVA PAT to Net Sales

Source of Variation	SS	Df	MS	F	P-value	F crit
BSS	0.051607	4	0.012902	3.172584	0.035868	2.866081
WSS	0.081333	20	0.004067			
TSS	0.13294	24				

Above table indicates the calculated value of "F". The calculated value of "F" is 0.36 which is less than the table value of 5% levels of significance which is 2.886. It indicates that the null hypothesis is accepted and alternate hypothesis will be rejected. It indicates that there is no significance difference in the PAT ratio in the units undertaken for the study for the period of the study all the units have different performance in relation to sales for that period.

7. Findings

Indian Textile Industry is one of the leading textile industries in the world. Through was 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 economy gave the much –needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world.

India textile industry is one of the leading in the world. Currently it is estimated to be around US$ 52 billion and is also projected to be around US$ 115 billion by the year 2023. The current domestic market of textile in India is expected to be increased to US$ 60 billion by 2023 from the current US$ 34.6 billion. The textile export of the country was around US$ 19.14 billion in 2006-07, which saw a stiff rise to reach US$ 22.13 in 2007-08. The share of exports is also expected to increase from 4% to 7% within 2023.

Profits are the soul of the business body without which the body becomes lifeless. Finance is the heart of the business body and profit is the soul of the business body. Profits have now become a measurement test to measure financial efficiency of the business firm. Generally, profits are the net surplus of revenue over the expenditure.

8. Suggestions

India contributes to about 25% share in the world trade of cotton yarn. India the world's third largest producer of cotton and second –largest producer of cotton yarns and textiles, is poised to play an increasingly important role in global cotton and textile markets as a result of domestic and multilateral policy reform.

Bombay and Raymond have to focus on the profitability and to improve the profitability both the company have either increased the sales or reduces the cost. By maintaining the cost and increasing the sales both the company can improve their profitability to satisfy Their shareholder and stand in good position in the market.

9. Limitations

Secondary data collected for the research study is collected from the annual reports, websites and various published reports and as such finding will depend entirely on the accuracy of such data.
Financial statements are normally prepared on the concept of historical cost. They do not reflect value in term of current cost. Thus, financial analysis on such financial statements or accounting would not portray the effect of price level changing over the period.

10. Conclusion

The Textile industry in India traditionally, after agriculture, is the only industry that has generated huge employment for both skilled and unskilled labour in textiles. The Textile industry continues to be the second largest employment generating sector in India. It can be concluded that the textile industry has wide scope in the international market. The industries have to focus on their parts and quality design. Quality products with the advance technology which make it easy possibility to get better international market.

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