

Research Article

Comparative Financial Analysis of selected Textile Companies on the Basis of Efficiency ratio

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Abstract:- The study entitled the financial performance analysis an Company. The objective of this study is to compare the current financial performance with last Ten years and to study the existing financial position of Company. The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis ,that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So the company improves this financial position. The study of financial performance on The Company has revealed the great deal of their various financial aspects for Ten years. The comparative analysis unlocks the overall performance methodology.

Key word:- financial performance analysis, current asset and Annual Reports.

Introduction

Financial analysis is used to find financial stability, evaluate economic trends, financial policymaking for the long term, and evaluation of businesses in order to determine its profitability, sustainability, and strength of earning potential. As the analysis of financial reports also means an understanding of the functioning of business decision-making which includes observation, assessment, forecasting, and formulation of diagnosis all the processes that took place in any organization, summarised within the financial statements. Financial analysis is an essential part of all commercial operations as it facilitates litigable insights into the health and capacity of the organization in the future. Alongside providing imperative data to the lenders and investors that could sway the price of stocks or rate of interest, this information also enables company managers to measure their performance in terms of the expectations or growth of the industry.

Review of Literature

Shinde Govind P. & Dubey Manisha (2011) The study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.

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Sharma Nishi (2011) Studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.

Singh Amarjit & Gupta Vinod (2012) Explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of witch automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

Zafar S.M.Tariq & Khalid S.M (2012) The study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

Ray Sabapriya (2012) Studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend etc for period of 2003-04 to 2009-10. The study finds that automobile industry has been passing through disruptive phases by over debt burden, under utilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future.

Dawar Varun (2012) Study to analyze the effect of various fundamental corporate policy variables like dividend, debt, capital expenditure on stock prices of automobile companies of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices.

Mistry Dharmendra S. (2012) Understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested to improve solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

Rapheal Nisha (2013) The author tries to evaluate the financial performance of Indian tyre industry. The study was conducted for period 2003-04 to 2011-12 to analyze the performance with financial indicators, sales trend, export trend, production trend etc. The result suggests the key to success in industry is to improve labour productivity and flexibility and capital efficiency.

Hotwani Rakhi (2013) The author examines the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is analyzed through ratios, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.

Sharma Rashmi, Pande Neeraj & Singh Avinash (2013) For understanding how social media monitoring can help diving the consumer decision & also study. The functions of social media i.e. monitor, responses amplify and lead at maruti Suzuki India ltd. The researcher had discussion with social media team median managers for collecting data & also visited the official social media sites of MSIL.

Shende Vikram (2014) This research will be helpful for the new entrants and existing car manufacturing companies in India to find out the customer expectations and their market offerings. The objective of study is the identification of factors influencing customers performance for particular segment of cars.

Azhagaiah R. & Gounasegaran (2014) Recognized India's per capita real GDP growth as one of key drivers of growth for country's automobile industry. The central government would be set up various task forces on issue related to taxation, land acquisitions, labour reform and skill development for auto industry.

Buvaneswari .R & Kanimozhip (2014) To study the credit worthiness of selected firms in Indian car industry, tiruchy. Professor Edward Altman of New York University developed method Z score analysis to predict the company failure or bankruptcy. To measure the fiscal fitness of a company combined a set of five financial ratios.

Idhayajothi, R et al (2014) The main idea behind this study is to analyze the financial performance of Ashoka Leyland Ltd. at Chennai. The result shows that financial performance is sound and also suggested to improve financial performance by reducing the various expenses.

Srivastava Anubha (2014) Data analysis has been done using the top down approach ,i.e. Economic analysis, industry analysis, company and technical analysis to find relationship between automobile sector index with market index. Mahindra and Mahindra have a great position on the stock market and will attract investor and this could lead to expansion and growth. Thus Tata motors and Maruti Suzuki need to take care of their stock and expansion.

Research problem

To Compare Financial Analysis of selected Textile Companies on the Basis of Efficiency ratio.

OBJECTIVES OF THE STUDY

The study has been done towards achieving following objectives

1. To know financial analysis by Efficiency Ratio
2. To compare Companies performance with the help of financial analysis.
3. To help investors for selecting better company.

RESEARCH METHODOLOGY

The research paper is an attempt of exploratory research, based on the secondary data; Sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of analytical type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

EFFICIENCY RATIO

4.3 TOTAL ASSETS TURNOVER RATIO

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This ratio is ascertained by dividing the net sales by the value of total assets. Thus, it calculated as under.

$$\text{Assets Turnover Ratio} = \frac{\text{Sales Total}}{\text{Total Assets}}$$

A high ratio is an indicator of overtrading of total assets while a low ratio reveals idle capacity. The total Assets Turnover Ratio can be segregated in to fixed asset turnover ratios, Working capital turnover ratios, Inventory turnover ratios, Debtors turnover ratios and Creditors turnover ratios.

TOTAL ASSETS TURNOVER RATIO

TABLE NO. 4.21 TOTAL ASSETS TURNOVER RATIO OF ALOK INDUSTRIES LTD.

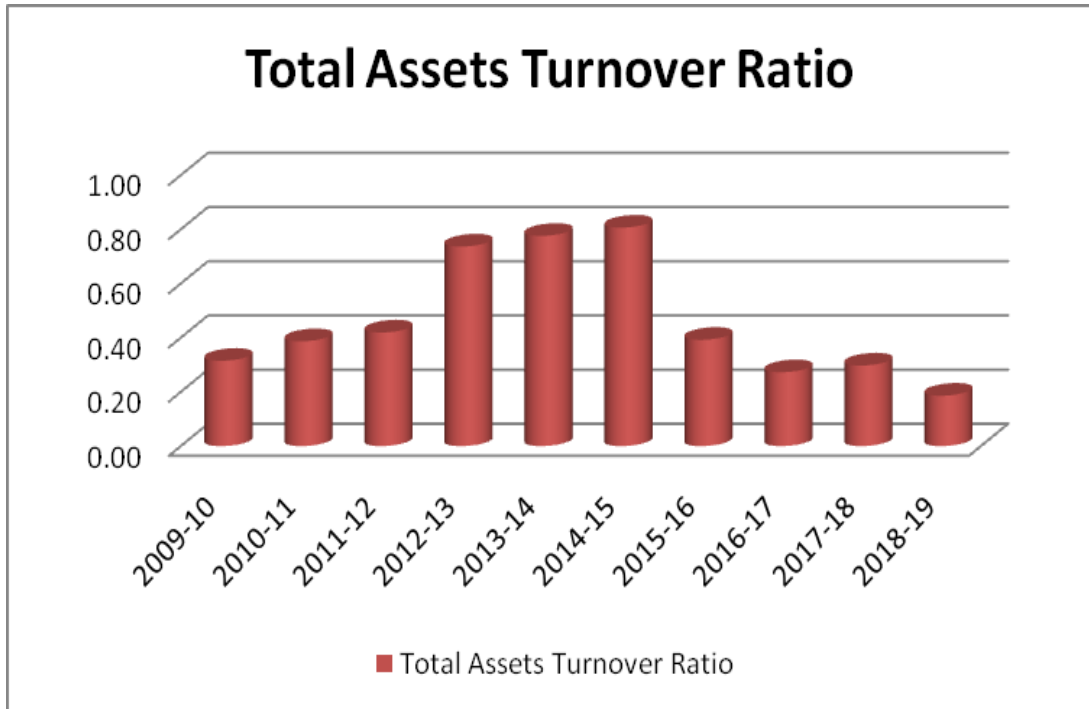
(` in Crores)

Year	Sales	Total Assets	Total Assets Turnover Ratio
2009-10	4299.78	13656.19	0.31
2010-11	6375.66	16475.67	0.39
2011-12	8869.96	21154.34	0.42
2012-13	13245.42	17979.22	0.74
2013-14	14723.35	18972.85	0.78
2014-15	16102.04	19966.49	0.81
2015-16	13098.07	33382.91	0.39
2016-17	8919.42	32708.99	0.27
2017-18	5562.08	18701.85	0.30
2018-19	3352.24	18016.35	0.19
Average	9454.80	21101.49	0.45

Source : Annual reports of Alok Industries Ltd.

The sales of this company shows that from the above table from the year 2009-10 to 2018-19. The sales of the company was ` 4299.78 crore in 2009-10. The sales of the company was continuous increased between the year 2010-11 and 2014-15. But after the year 2014-15 sales was continuous decreased up to the year 2018-19. The sales of the company was ` 3352.24 crore in 2018-19 and average sales of the company is ` 9454.80 crore.

The total assets of this company shows in the above table from the year 2009-10 to 2018-19. The total assets of the company was ` 13656.19 crore in the year 2009-10. It was increased in the next two years 2010-11 and 2011-12. The total assets was decreased to ` 17979.22 crore in the year 2012-13. It was increased in the next three years from 2013-14 to 2015-16. The total assets was nominal decreased to ` 32708.99 crore in the year 2016-17. The total assets of the company was ` 18016.35 crore in 2018-19. The average total assets of the company is ` 21101.49 crore.

GRAPH NO. 4.21 TOTAL ASSETS TURNOVER RATIO OF ALOK INDUSTRIES LTD.

The total assets turnover ratio shows in the above graph from the year 2009-10 to 2018-19. The total assets turnover ratio of the company was 0.31 in the year 2009-10. It was continuous increased in the next five years from the year 2010-11 to 2014-15. The total assets turnover ratio of the company was 0.81 in the year 2014-15; it was the highest total assets turnover ratio in the last ten years. It was decreased in next two years 2015-16 and 2016-17. The total assets turnover ratio was minor increased in theyear 2017-18. The total assets turnover ratio of the company was 0.19 in the year 2018-19; it was the lowest total assets turnover ratio in the last ten years.

TABLE NO. 4.22 TOTAL ASSETS TURNOVER RATIO OF ARVIND LTD.

(₹ in Crores)

Year	Sales	Total Assets	Total Assets Turnover Ratio
2009-10	3207.29	3303.40	0.97
2010-11	4084.62	3620.45	1.13
2011-12	4925.12	4620.78	1.07
2012-13	5292.52	5283.72	1.00
2013-14	6862.12	7363.23	0.93
2014-15	7851.4	7510.26	1.05
2015-16	8010.57	8192.04	0.98
2016-17	9235.54	8670.43	1.07

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2017-18	6793.66	10258.43	0.66
2018-19	7142.18	7333.64	0.97
Average	6340.50	6615.64	0.96

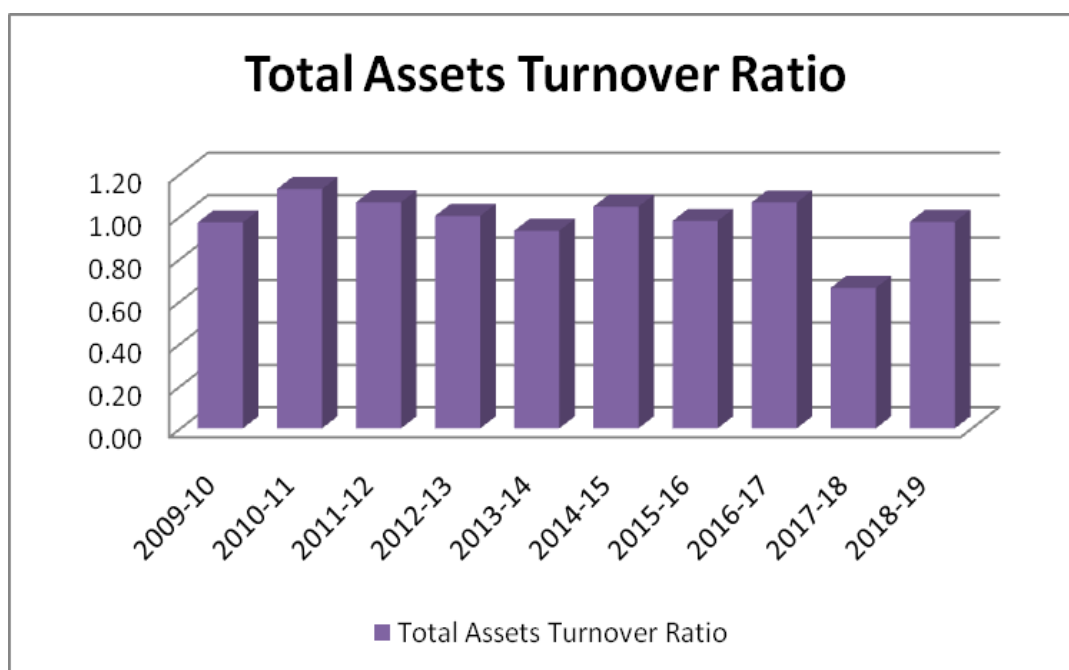
Source : Annual reports of Arvind Ltd.

The sales of this company shows that from the above table from the year 2009-10 to 2018-19. The sales of the company was ` 3207.29 crore in the year 2009-10, it was the lowest sales in the last ten years. The sales of the company was continuous increased from the year 2010-11 to 2016-17. The sales of the company was ` 9235.54crore in the year 2016-17, it was the highest sales throughout the last ten years. The sales was decreased in the next year 2017-18. The sales of the company was ` 7142.18 crore in the year 2018-19 and average sales of the company is ` 6340.50 crore.

The total assets of this company shows in the above table from the year 2009-10 to 2018-19. The total assets of the company was ` 3303.40 crore in the year 2009-10. It was continuous increased in the next eight years from the year 2010-11 to 2017-18. The total assets was increased to ` 10258.43 crore in the year 2017-18, it was the highest total assets in the last ten years. The total assets of the company was

` 7333.64 crore in 2018-19. The average total assets of the company is ` 6615.64 crore.

GRAPH NO. 4.22 TOTAL ASSETS TURNOVER RATIO OF ARVIND LTD.



The total assets turnover ratio shows in the above graph from the year 2009-10 to 2018-19. The total assets turnover ratio of the company was 0.97 in the year 2009-10. The total assets turnover ratio of the company was increased to 1.13 in the year 2010-11; it was highest turnover ratio throughout the last ten years. It was continuous decreased in the next three years from the year 2011-12 to 2013-14. The total assets turnover ratio of the company was 1.05 in the year 2014-15. It was decreased in the next year 2015-16. The total assets turnover ratio was increased to 1.07 in the year 2016-17. The total assets turnover ratio was 0.66 in the year 2017-18; it was lowest turnover ratio throughout the last ten

years. The total assets turnover ratio of the company was 0.97 in the year 2018-19.

FINDINGS & SUGGESTION

1. Alok industries and Arvind Ltd. Both companies have a great Impact at an Indian Textile Industry, but as per the comparison of Total assets turnover ratio Arvind Ltd. Assets is continuously increases for last 10 years
2. Alok industry facing a zigzag in Assests.
3. Reason for ups and down in profit of Alok industry is not to focus on sales and marketing strategies.

References:-

1. Annual reports of Arvind ltd.
2. Annual Reports of Alok industries.