Research Paper

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Financial Performance of Textile Industry in Tamilnadu with Special Reference To Coimbatore – A Study of Profitability Analysis

Commerce

KEYWORDS : Iris recognition, biometrics, iris segmentation, integrodifferential operator, active contour

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ABSTRACT

The study has analysed the profitability of selected textile companies in Coimbatore, Tamilnadu. It is empirical in nature it selected five major textile companies in Coimbatore such as Ambika Cotton Mills Ltd., Bannari Amman Spinning Mills Ltd., Gangotri Textiles Ltd., Lakshmi Mills Ltd. and KG Denim Ltd. as sample of the study. It collected data from annual reports of the selected companies for the period of ten years from 2003-04 to 2012-13. The study mainly used ratio analysis as statistical tool. The present study of profitability analysis of selected textile companies in Coimbatore was made for the study period of ten years from 2003-04 to 2012-13. The results of the study indicated that profitability of Ambika Cotton Mills Ltd., Bannari Amman Spinning Mills Ltd. and KG Denim Ltd. was good over the study period, where as it was not satisfactory for Gangotri Textiles Ltd. and Lakshmi Mills Ltd.

Introduction

Development of an economy depends on various factors. Development of various industries in a country contributes to the development of national economy. Contribution of big industries in a country is to be given importance, because they contribute more than other industries. Textile industry in India is biggest industry among various industries in the country. Textile industry is important to compute development in both economic and welfare terms. The textile industry is the single largest foreign exchange earner for India. It earns a considerable portion of total revenue through foreign currencies. Now India becomes the second highest spindle age in the world after china. Textile industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. It also gives more employment opportunity to a major portion of the people. It also supports agricultural sector by way of procuring raw material to this industry. It gives direct and indirect employment opportunities to the people of India. The textile industry contributes four percent to the country's GDP, 14 percent to industrial production. The Indian textile industry has already established its name in supplying high quality yarns and grey fabrics to the work market. However it is yet to make an impact in finished product. It only makes sense to go in for further value-added products such as garments and leverage on the country's established name in these export markets. In the sense it is necessary to study the industry in terms of its performance. Finance is basis for any operation of a business operation. A company which has strong financial position will get success in all aspects. So, financial performance analysis is necessary for analyzing the overall operations of a company.

Statement of the Problem

Textile industry is playing a significant role in the economy. It gives helps our economy in many ways, such as providing more employment opportunity to the people directly and indirectly, it brings more foreign currency into the country though export, it contributes more to gross domestic product of the economy. It also helps agricultural sector of the country, where majority of the people depended on for employment and their livelihood by way of procuring raw material. As the important industry in India, it is necessary to study about the industry. The efficiency of a company will reflect in its profitability, so the study of profitability will give overall efficiency of a company. Hence the study included the study of profitability of the selected textile companies.

Objective of the Study

To study the profitability of selected textile companies

Methodology

The present study is empirical in nature it selected five major textile companies in Coimbatore such as Ambika Cotton Mills Ltd., Bannari Amman Spinning Mills Ltd., Gangotri Textiles Ltd., Lakshmi Mills Ltd. and KG Denim Ltd. as sample of the study. It required secondary data for analysis they were collected from annual reports of the selected companies. They were collected for the period of ten years from 2003-04 to 2012-13. The study mainly used ratio analysis as statistical tool.

Results and Discussion

Profitability analysis is an essential portion in a study of financial performance analysis, because every business orgainsation is started to earn profit. Every activity of a business is being made in the view of increasing its profit. This chapter of the research work deals with profitability analysis of the selected textile companies in Coimbatore.

Table 1
Return on Investment of Select Textile Companies

Year	Ambika	Bannari	Gangotri	Lakshmi	KG Denim
2003-04	41.31	40.79	69.36	49.33	90.88
2004-05	33.36	35.84	60.63	17.68	88.70
2005-06	35.56	12.53	63.55	46.18	37.36
2006-07	45.12	15.44	24.89	16.61	61.48
2007-08	41.04	23.24	23.04	-10.11	17.36
2008-09	43.15	29.67	-66.24	12.76	27.36
2009-10	41.94	41.50	9.18	48.54	32.41
2010-11	53.12	63.86	26.73	65.23	71.28
2011-12	39.81	17.58	-4.80	-6.45	72.47
2012-13	39.28	52.77	6.37	6.17	88.38
Mean Ratio	41.37	33.32	21.27	24.59	58.77
Standard Deviation	5.38	16.85	40.00	25.95	27.91
Co-efficient of Variation	13.00	50.56	188.06	105.53	47.49
Source: Computed from annual reports					

Table 1 shows that return on investment of Ambika Cotton Mills Ltd. comparatively higher. The rate of return on investment ranged from 33.36 per cent to 53.12 per cent. The mean value of the ratio was 41.37 per cent, it showed efficient utilization of its investment. It showed that there was no deviation in ROI from its average. Return on investment of Bannari Amman Spinning Mills Ltd. was highest during 2010-11 (63.86 per cent) and it was lowest during 2005-06 (12.53 per cent). Mean value of return on investment was 33.32 per cent during the study period;

it showed that efficiency of capital utilization was satisfactory. Moderate level of deviation was found in the ratio. Return on investment of Gangotri Textiles Ltd. was positive during eight years of the study period and it was negative during 2008-09 and 2011-12. Mean value of return on investment (21.27 per cent) also evidenced the results. It was also found that there was very high deviation in the ratio from its average. Return on investment of Lakshmi Mills Ltd. was positive during eight years of the study period and it was found negative during two years (2007-08 and 2011-12). The ratio ranged from -10.11 per cent to 65.23 per cent. Mean value of the ratio was 24.59 per cent, it showed that the efficiency of the company in utilizing its investment. The results of return on investment were found good for KG Denim Ltd. over the study period as compared to other selected textile companies in the study. The rate of return on investment of KG Denim ranged from 17.36 per cent to 90.88 per cent. Mean value of return on investment was found high (58.77 per cent), it indicated that overall efficiency of the company in utilizing its investment was good. Moderate level of variation was found in the ratio.

Table 2
Operating Profit Ratio of Select Textile Companies

Year	Ambika	Bannari	Gangotri	Lakshmi	KG Denim
2003-04	24.04	16.29	11.75	5.36	11.17
2004-05	24.73	22.32	10.78	2.33	19.66
2005-06	32.66	21.93	14.08	7.72	9.88
2006-07	31.06	23.07	13.38	3.48	19.36
2007-08	28.47	18.88	12.35	-2.40	5.11
2008-09	28.29	15.96	-19.44	2.66	6.94
2009-10	26.11	19.86	5.93	8.15	6.00
2010-11	29.09	24.15	9.87	10.24	11.31
2011-12	20.03	7.32	-0.92	-4.92	9.97
2012-13	21.77	20.27	-5.70	4.67	11.03
Mean Ratio	26.62	19.00	5.21	3.73	11.04
Standard Deviation	4.03	4.92	10.84	4.68	4.98
Co-efficient of Variation	15.13	25.90	208.12	125.35	45.12

Source: Computed from annual reports

Table 2 indicates that operating ratio of Ambika Cotton Mills Ltd. was highest during 2005-06 (32.66 per cent) and it was found lower during 2011-12 (20.03 per cent). Operating profit ratio of the company found higher during all the years of the study period, it showed efficient operating performance of the company. Mean value of operating profit ratio of the company was 26.62 per cent. Very lower level of deviation was found in the ratio from its average. Operating profit ratio of Bannari Amman Spinning Mills Ltd. ranged from 7.32 per cent (2011-12) to 24.15 per cent (2010-11). Mean value of operating profit ratio of the company was 19 per cent, it was considered high and therefore operating efficiency of the company was good. Very low deviation was found in operating profit ratio. Operating profit of Gangotri Textiles Ltd. was positive for seven years out of ten years of the study period. It was found negative for three years (2008-09, 2011-12 and 2012-13). It was observed from the table that during the first half of the study period the operating efficiency of the company was satisfactory but it was not satisfactory during the second half of the study period. Operating profit ratio of Lakshmi Mills Ltd. was positive for eight years of the study period and it was negative for two years (2007-08 and 2011-12). Negative ratio indicated inefficient operating performance during such years. Its mean value also evidenced for the result (3.73 per cent). Very wide variation was found in the ratio from its average as explained by standard deviation (4.68 per cent) and co-efficient of variation (125.35 per cent).

Table 2 also reports that operating profit ratio of KG Denim Ltd. ranged from 5.11 per cent to 19.66 per cent over the stud period. It was more than ten per cent for four years of the study period, during such years operating efficiency of the company was good. During other six years it was less than 10 per cent. It showed poor operating efficiency of the company. Mean value of operating profit ratio was 11 per cent, it was considered low.

Table 3
Net Profit Ratio of Select Textile Companies

Year	Ambika	Bannari	Gangotri	Lakshmi	KG Denim
2003-04	13.53	8.93	3.68	0.31	3.02
2004-05	14.57	21.58	1.81	2.75	4.80
2005-06	17.88	18.19	1.94	4.12	2.63
2006-07	12.14	15.43	1.95	3.82	7.24
2007-08	8.26	5.53	-8.78	-4.82	-3.31
2008-09	5.10	2.81	-40.84	-1.75	-3.18
2009-10	8.46	4.24	-22.60	1.05	-5.30
2010-11	13.46	7.06	-8.58	3.04	0.06
2011-12	6.13	-3.56	-27.15	-8.82	1.31
2012-13	7.79	4.88	-125.19	6.74	1.84
Mean Ratio	10.73	8.51	-22.38	0.65	0.91
Standard Deviation	4.16	7.70	39.10	4.65	3.91
Co-efficient of Variation	38.77	90.46	-174.73	721.49	428.72

Source: Computed from annual reports

Net profit ratio of Bannari Amman Spinning Mills Ltd. ranged from -3.56 per cent (2011-12) to 21.58 per cent (2004-05). The results also showed that during first half it was high and it was not so during the second half of the study period. Negative net profit ratio was found during 2011-12, it showed poor efficiency of the company during such year. Mean value of net profit ratio was 8.51, it was considerably good. As per the results of standard deviation and co-efficient of variation, wide variation was found in net profit ratio over the years. Net profit ratio of Gangotri Textiles Ltd. was in decreasing trend over the study period. During first four years of the study period net profit ratio was positive and it was negative during the remaining years. Mean value of net profit ratio of Gangotri Textiles Ltd. stood negative at -22.38 per cent, it showed very poor efficiency of the company. Very wide deviation in net profit ratio was found. Net profit ratio of Lakshmi Textiles Ltd. ranged from -8.82 per cent to 6.74 per cent. Net profit ratio of the company was positive for seven years and it was negative for three years of the study period. Mean value of the ratio was very, it stood only 0.65 per cent, and it showed inefficiency of the management. A wide deviation in net profit ratio was found as explained by standard deviation and co-efficient of variation over the study period. Net profit ratio of KG Denim Ltd. stood negative during the years from 2007-08 to 2009-10, during other years it stood positive. During the first half of the study period, net profit ratio of the company was considerable but it was poor during the second half. Mean value of net profit ratio of KG Denim Ltd. was 0.91 per cent, this lower rate of net profit ratio indicated poor efficiency of the company over the years of the study period.

Table 4
Earnings per Share of Select Textile Companies

Year	Ambika	Bannari	Gangotri	Lakshmi	KG Denim
2003-04	25.42	25.16	18.46	8.76	9.15
2004-05	26.44	31.24	10.83	67.96	13.24

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2005-06	35.01	9.99	2.54	106.47	3.91
2006-07	40.68	10.69	1.37	95.55	11.97
2007-08	31.44	10.35	-4.30	-146.70	-4.26
2008-09	21.29	6.08	-21.50	-106.18	-3.86
2009-10	40.26	14.19	-10.94	-12.36	-6.58
2010-11	101.79	53.24	-3.35	55.17	0.05
2011-12	54.74	-21.56	-13.46	-274.86	2.73
2012-13	69.21	25.84	-33.25	-40.80	4.31
Mean Ratio	44.63	16.52	-5.36	-24.70	3.07
SD	24.76	19.45	15.19	121.23	6.88
CV	55.49	117.75	-283.47	-490.83	224.37

Source: Computed from annual reports

Table 4 reports that earning per share of Ambika Cotton Mills Ltd. was very high during 2010-11, which was Rs.101.79. Mean value of the ratio was Rs.44.63, It was considered high and therefore profitability in terms of earnings per share of the company was good. A moderate level of variation was found in the ratio over the study period. Earnings per share of Bannari Amman Spinning Mills Ltd. was found positive for nine years out of ten years of the study period. It ranged from Rs.-21.56 (2011-12) to Rs.53.24 (2010-11). Mean value of earnings per share was Rs.16.52, it showed that profitability of the company in terms of EPS was satisfactory over the study period. A wide range variation was found in the ratio. Earnings per share of Gangotri Textiles Ltd. was in decreasing trend over the study period. It was positive during first four years of the study period and it turned to negative during all other years of the study period. It indicated poor profitability performance of the company in terms of earnings per share. Mean value of the ratio also evidenced for the results, which stood negative (Rs.-5.36). Earnings per share of Lakshmi Mills Ltd. was positive during the first four years of the study period and during 2010-11. Mean value of earnings per share of Lakshmi Mills Ltd. was negative with Rs.24.70. It showed very poor performance in profitability by the company in terms of increasing shareholders' wealth. Earnings per share of KG Denim Ltd. was found negative during the years from 2007-08 to 2009-10. During other years the ratio ranged from Rs.0.05 to Rs.13.24. The mean value of earnings per share was Rs.3.07, it showed that profitability performance of KG Denim Ltd. was not satisfactory. Very wide range of variation was found in EPS as explained by standard deviation and co-efficient of variation.

Conclusion

The present study of profitability analysis of selected textile companies in Coimbatore was made for the study period of ten years from 2003-04 to 2012-13. The results of the study indicated that profitability of Ambika Cotton Mills Ltd., Bannari Amman Spinning Mills Ltd. and KG Denim Ltd. was good over the study period, where as it was not satisfactory for Gangotri Textiles Ltd. and Lakshmi Mills Ltd.

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