



## A COMPARATIVE STUDY OF FINANCIAL STATEMENT OF TEXTILE COMPANIES – SPECIAL REFERENCE TO AMBIKA COTTON MILLS PVT LTD, PREMIER MILLS LTD, COIMBATORE.

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### KEYWORDS :

#### INTRODUCTION:

Tamil Nadu is the largest textile hub of India. The textile industry plays a significant role in the Indian economy by providing direct employment to an estimated 35 million people, and thereby contributing 4% of GDP and 35% of gross export earnings. The textile sector contributes to 14% of the manufacturing sector.

Coimbatore cluster has around 919 spinning units which is more than 40% of total units in TamilNadu. Total Yarn production in Coimbatore is around 387 Million kgs which is 25 % of Tamil Nadu's Production Textile Research Institutes like CICR (Central institute for Cotton research),SITRA (South Indian Textiles Research Association),Sardar Vallabhai Patel International School of Textiles and Management. Coimbatore City also houses two of the Centers Of Excellences (COE) for technical textiles proposed by Government of India, namely Meditech, a medical textile research Center based at SITRA, and InduTech based in PSG College of Engineering and Technology.

Once hailed as the 'Manchester of the South', Coimbatore houses a large number of small and medium textile mills. The first textile mill dates back to the early part of the 19th century. The city housed a good number of large textile mills till the mid-1980s, but many of these have now gone into history.

The textile industry has become highly fragmented, with few large-scale enterprises and numerous smaller units specialising in spinning, weaving, finishing and apparels, among others. The transformation that has taken place on the manufacturing front with technology intervention and government support has spurred the growth of the textile industry.

Nearly 40 per cent of the spinning units in the State are located in and around Coimbatore. The growth of the knitwear export cluster in Tirupur and handloom exports from Erode have led to substantial demand for spinning and weaving units in this region. The textile industry's growth led to the inception of textile machinery manufacturing. And today, some of the global brands in textile machinery and component manufacturing have established their base here.

#### About the Companies:

The Premier Group has an international reputation for quality built over the past 60 years of innovation in the textile industry. Established in 1949, **Premier Mills** is a member of the Premier Group and a manufacturer and exporter of fine combed cotton yarn, producing over 18 million kilograms a year. With export revenues of over USD 150 million, Premier Mills is a dominant player in the global textile market today, utilizing cutting edge technology, high-grade raw materials and stringent quality control to deliver only the finest products to its customers. The company is headquartered in Coimbatore, India with a dedicated workforce of over 5000 employees.

**Ambika Cotton Mills Limited (ACML)** of Coimbatore in Southern India, is engaged in the manufacture of premium quality Compact and Elitwist cotton yarn for hosiery and weaving. We are an established player in the international and domestic yarn market

with exports constituting roughly sixty percent of its revenues. The company was incorporated in 1988 and its 4 manufacturing units are situated in Dindigul, Tamil Nadu with a total spindle capacity of 1,08,288 of Compacting System.

Ambika Cotton Mills has the unique distinction of being the number one in the shirting segment and is the preferred client of all top quality shirt manufacturers around the world. They hold a very niche segment in the industry, thanks to their impeccable track record of product quality and delivery fulfillment. They also take pride in their zero complaints with clients, shippers and raw material suppliers.

They also take their going-green commitment very seriously and produce over 110% of its power requirement by clean wind power with installed capacity of 27.4 MW. They have 100% governmental and legal compliance record.

#### OBJECTIVE OF THE STUDY:

1. To analyze and compare the financial performance of the selected textile companies in Tamilnadu.
2. To Analyze the profitability performance of the selected textile companies.

#### Research methodology :

The present study is based on the secondary data. The present study has made an attempt to compare the financial performance of the selected companies to know about the growth and development of companies.

#### REVIEW OF LITERATURE:

**Siddiqi et al., (2012)** dealt with the determinants of export demand of textile and clothing sector of Pakistan. Moreover it estimated coefficients of the variables of the study. This study used co-integration approach to check the long run relationship between export demand and its determinants. Results showed that world income was the major determinant of export demand as it showed high coefficient of income for export demand of textile and clothing sector while trade openness was also the second major determinant of export demand which was the part of the model as the proxy of trade restriction. Rest of the variables also showed that there was a significant contribution in determining the export demand. The study also revealed the long run relationship between the export demand and explanatory variables.

**Bhaskaran (2013)** found that the Indian textile industry was one the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment (E). The sector employed nearly 35 million people and after agriculture, it was the second-highest employer in the country. Its importance was underlined by the fact that it accounted for around 4% of Gross Domestic Product, 14% of industrial production, 9% of excise collections, 18% of E in the industrial sector, and 16% of the country's total exports (Ex) earnings. For inclusive

**Dorathy (2013)** found that the export-import trade among the countries was broadly guided and facilitated by General Agreement on Trade and Tariffs (GATT) before the setting up of WTO in 1995.

During GATT regime under the Multi-Fibre Agreements (MFA), a popular system known as Quantitative Restrictions (QR) was in place in Textile and Clothing segment which included the hosiery products. Under this system a country could import from a particular country only up to the limit prescribed by QR. The hosiery industry of Tirupur, a major exporter of hosiery products to global markets was assured of its quota of exports and thus flourished under this system. But with the advent of WTO in 1995, the ATC declared that the QR would be phased out from January 2005. This carried new opportunities and threats for Tirupur's exports which also meant that this industry must now acquire new strengths in order to compete in the new regime. Under such circumstances, the researcher had developed a framework for analyzing the competitive structure of this industry and to suggest appropriate strategies for enhancing its competitiveness under the WTO regime. The government, industry and firm by adopting the strategies presented above can play a proactive role by exposing its exporters to professionalism and modern business practices thereby enhancing the competitiveness of this industry.

**Indhumathi, C and Palanivelu, P. (2013)** stated in their study the correlation coefficient matrices of the selected variables with the dependent variable, i.e., return on total assets of selected companies' state that almost all the companies creditors turnover ratio, inventory turnover ratio and fixed asset turnover ratio Were positively correlated with profitability of the company. They further concluded that there was a close relationship between the financial performances of the selected textiles companies in India and the proportion of changes in return on total assets.

**TABLE ANALYSIS :**

YEAR	GP RATIO		NP RATIO		OPERATING RATIO		RCE		RNW	
	ACM	PM	ACM	PM	ACM	PM	ACM	PM	ACM	PM
2015	14.08	1.58	10.32	-0.57	20.00	4.06	19.97	4.66	16.99	0.63
2014	14.98	4.25	10.09	0.58	21.61	6.64	21.75	2.35	18.51	0.89
2013	14.87	1.36	7.78	-0.89	21.76	5.10	21.00	2.28	14.05	0.78
2012	13.14	6.04	6.13	2.99	20.02	8.31	16.35	3.18	12.19	1.80
2011	22.82	3.39	12.98	2.00	30.24	5.88	18.50	3.53	24.19	1.33
MIN	13.14	1.36	7.78	-0.89	20.00	4.06	16.35	2.35	12.19	0.63
MAX	22.82	6.04	12.98	2.99	30.24	8.31	21.75	4.66	24.19	1.33
MEAN	15.98	3.32	7.66	0.82	22.73	5.99	19.51	3.2	17.19	1.09
SD	3.90	1.94	2.62	1.66	4.28	1.61	2.15	0.98	4.63	0.48

- ACM** - Ambika Cotton Mills Pvt Ltd.,
- PM** - Premier Cotton Ltd.
- GP** - Gross Profit ratio
- NP** - Net Profit ratio
- RCE** - Ratio of Capital Employed
- RNW** - Return on Net Worth

The above table shows that there is a wide difference in the various ratios of the two selected companies.

1. Among the five years the maximum gross profit ratio was of "ACM's" with a ratio of "22.82" during the year "2011" and a minimum ratio of "13.14" during the year "2012", whereas the maximum gross profit ratio of "PM" was "6.04" during the year "2012" and a minimum was "1.36" during "2013".
2. The maximum net profit ratio was of "ACM'S" with a ratio of "12.98" during "2011" and a minimum of "7.78" during "2013", whereas the maximum net profit ratio of "PM" was "2.99" during "2012" and the minimum was "-0.89" during "2013".
3. The maximum operating ratio was of "ACM's" with a ratio of "30.24" during "2011" and a minimum of "20.00" during "2015", whereas the maximum operating ratio of "PM" was "8.31" during "2012" and the minimum was "4.06" during "2015".
4. The maximum ratio of capital employed was of "ACM's" with a ratio of "21.75" during "2014" and a minimum of "16.35" during "2012", whereas the maximum ratio of capital employed in "PM" was "4.66" during "2015" and the minimum was of "2.35" during

"2014".

5. The maximum ratio of return on net worth was of "ACM'S" with a ratio of "24.19" during "2011" and a minimum of "12.19" during "2012", whereas the maximum ratio of return on net worth of "PM" was "1.33" during "2011" and the minimum was of "0.63" during "2015".
6. Analysing various ratios, it is clear that there is a vast difference in the mean and standard deviation of both the companies. The mean value of the ACM company is considerably higher in all cases than the PM's.
7. The value of standard deviation is also considerably high for the ACM company in all cases when compared to the Premier Mills Ltd.,

**Conclusion**

The study concludes that there is significant difference in the performance of the selected companies in textile industry in terms of their profitability and managerial efficiency position. Ambika Cotton Mills Pvt Ltd., has been leading when compared to the performance of Premier Mills Ltd., in terms of profitability. Premier Mills Ltd., has also maintained liquidity position by keeping current assets level above current liabilities yet, it is far less when compared with Ambika Cotton Mills Ltd., Premier Mills Ltd is highly leveraged firm indicating less profits while Ambika Cotton Mills have been able to maintain their level of profitability indicating good managerial efficiency position.

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