



## A Study of PAT and PBT Analysis of Selected Textile Companies

### KEYWORDS

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Mostly every firm is most concerned with its profitability. One of the most frequently used tools of financial ratio analysis is PAT and PBT to total income ratios which are used to conclude the company's bottom line and its return to its investors. Profitability measures are important to company promoters and owners similarly. If a small business has outside investors who have put their own money into the company, the promoters certainly have to prove profitability to those investors.

Profitability ratios are considered to appraise the firm's ability to generate profits. Analysis of profit is of vital concern to investors because they get revenue in the form of dividends. Profits are also vital to creditors because profit is one resource of funds for liability. Furthermore Management uses profit as a performance review.

### TEXTILE SECTOR IN INDIA

India is the one of the world's largest producers of textiles and apparels. The potential size of the Indian textile and garment industry is expected to reach US\$ 221 billion by 2021, according to Technopak's Textile and Apparel Compendium 2012.

Textile industry has made a key input to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. The sector contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 17 per cent to the country's export earnings. It provides direct employment to over 35 million people. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

### Profile of Selected companies for the study

#### Banswara Syntex Ltd.

Banswara Syntex Ltd. was incorporated in 1976 as a public limited company. The equity shares of the company were listed on the Bombay Stock Exchange (BSE) on 20 September 1993 and on the National Stock Exchange (NSE) on 11 April 2007. The registered office of the company is located at Banswara, Rajasthan.

The company was jointly promoted by Rajasthan State Industrial Development & Investment Corporation Ltd. (RIICO) and R L Toshniwal. In 1982, RIICO Ltd. sold its entire holding in the company to R L Toshniwal. The company is currently promoted by R L Toshniwal. He is the Chairman & Managing Director. His sons, Ravi Toshniwal is the Joint Managing Director and Shaleen Toshniwal is a Director. R L Toshniwal's son in-law, Rakesh Mehra is a Director in the company.

The company manufactures textile products. Product range includes man made synthetic blended yarn, wool & wool mixed yarn, all types of fabrics, jacquard, furnishing fabrics, readymade garments and made-ups. The company entered manufacturing of fabrics in 1993, readymade garments in 2004 and made-up's & worsted spinning in 2008.

#### Jindal cotex Ltd.

Jindal Cotex Ltd. (JCL) was incorporated on 18 February 1998. It received its certificate of commencement of business on 20 February 1998. The company's registered office is at V.P.O. Jugiana, G T Road in Ludhiana, Punjab.

The company is promoted by Sandeep Jindal, Yash Paul Jindal, Rajinder Jindal and Ramesh Jindal. Sandeep Jindal is the Managing Director of the company and Yash Paul Jindal is a Chairman.

Jindal Cotex is in the business of manufacturing of acrylic yarn, polyester cotton, combed and carded yarns, polyester and polyester-viscose used for apparels and suitings & knitted fabrics. The products are exported to countries like India, Asia, Europe, North America, South America and Africa.

The equity shares of the company were listed on the Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) on 22 September 2009.

#### S R F Ltd.

S R F Ltd. was incorporated in the year 1970 and belongs to the Arun Bharat Ram group. The company commenced its operations with the manufacture of Nylon Tyre Cord Fabric; today it is into three core businesses of Technical Textiles, Chemicals and Packaging Films.

Currently Mr. Arun Bharat Ram is the Chairman and Managing Director of the company. The promoters of the company have an equity holding of about 39% while the institutional investors hold about 33% and individuals hold approximately 18%.

SRF Ltd. manufactures Technical Textiles, Fluorochemicals, Packaging Films and Pharma Chemicals. The company's technical textiles business manufactures Nylon Tyre Cord Fabric, Belting Fabrics and Coated Fabrics. Nylon Tyre Cord Fabric is used as reinforcement for all kinds of tyres, ranging from the bicycle to airplanes. The conveyor belting fabrics manufactured by the company is used by the mining industry. The Coated Fabrics has usage in products like awnings, tarpaulins and canopies that are used on trucks and jeeps, covers for sports fields and even shamianas. SRF Ltd chemical business manufactures refrigerant gases used for a variety of industrial, commercial and household applications.

#### Supreme Tex mart Ltd

Supreme Tex Mart Ltd. was incorporated as Supreme Woolen Mills Pvt. Ltd. on 25 October 1988. It converted into a public limited company on 29 April 1989. The company entered into a joint venture with Punjab State Industrial Development Corporation Ltd. (PSIDC) in August 1992 to set up a project to manufacture 4800 spindles of worsted yarn. However, the promoters felt that demand for worsted yarn was less and switched over to manufacturing of tyre cord. PSIDC was informed accordingly.

The name of the company was changed to Supreme Yarns

Ltd. in 2001 and then to Supreme Tex Mart Ltd. in 2007-08. Equity shares of the company were listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) on 26 March 1999 and 14 March 2007 respectively. The registered office is located at Industrial area A in Ludhiana, Punjab.

The company was initially promoted by Ram Lal Gupta, Sanjay Gupta and Ajay Gupta. PSIDC came in as a joint promoter in August 1992. Ajay Mahajan is the Chairman of the company. Sanjay Gupta is the Managing Director and Ajay Gupta is the Joint Managing Director. Gautam Gupta is the Executive Director.

**Trident Ltd**

Trident Ltd. was incorporated as Abhishek Industries Ltd. on 18 April 1990. The name of the company was changed to Trident Ltd. on 18 April 2011. The registered office of the company is located at Trident Complex, Raikot Road, Barnala in Sangrur, Punjab. Equity shares of the company were listed on the Bombay Stock Exchange in September 1993 and on the National Stock Exchange (NSE) in June 2001.

The company operates in four main business segments - home textiles, yarns, paper and chemicals. The yarn segments produces 100 per cent grey, dyed and mercerised cotton yarn, single and TFO doubled, combed and carded hosiery and weaving, open-end yarn for weaving, slub yarn, yarn from imported premium cotton varieties, zero twist/PVA yarns, poly-cotton blended yarn, doubled, dyed, gassed and mercerised cotton yarns. The home textile segment manufactures piece dyed dobbies, yarn dyed single & double jacquard, undyed jacquards, yarn dyed stripes, weft inserts & checks, terry & velour finish, bath robes, bath sheets & bath mats, bath, beach, gym, hand and kitchen towels, face fringes & table linens, doobby and jacquard fabrics suitable for kitchen and table linen.

**Objective of the study**

The main purpose of the study is to evaluate the PBT and PAT to income ratio of the selected textile companies of India.

**Methodology of the study**

**Source of the data**

The study is based on the secondary data which are taken from the financial statements of Banswara syntex, jindal cotex, SRF Ltd, Supreme tex mart ltd and Trident ltd through prowest database from 2008-09 to 2011-2012 to find out the PBT and PAT of selected companies. For more information different journals, News papers and related Websites are also taken into consideration as and when required for the study.

**Hypothesis of the study**

- Ø The amount of profitability Trend value of PBT as % of total income is the same.
- Ø The amount of profitability Trend value of PAT as % of total income is the same.

**Techniques of Analysis**

For the analysis of data various ratios relating to Profitability is considered. Moreover the simple statistical measures like mean and ANOVA Test is also applied for hypothesis testing. For that SS=Sum Of squares, D.F=Degree Of Freedom, MSS=Mean Sum of Squares, F cal=Calculated Value of F. and Ft =critical value of F ratio at 5% level, are considered and mentioned in the table to draw conclusion.

**Net Operating Profit Ratio/PBT to Sales Ratio**

This ratio measures the efficiency of operations of the company. This ratio is designed to give attention on the net profit margin arising from the business process before tax is deducted. This convention is to express (PBT) Profit before tax (PBT) as a percentage of sales. For the various selected companies, this ratio as % of total income stands as under:

Banswara syntax: from 2008 to 2012, 1.4, 2, 6.6, 7.4, and 19.2 respectively.

Jindal Cotex: from 2008 to 2012, 5, 3.6, 5, 4.8, and -6 respectively.

SRF: from 2008 to 2012, 11.2, 12.3, 18.8, 20, and 14.7 respectively.

Supreme: from 2008 to 2012, 5.1,-2.1, 2, 3, and 2.8 respectively.

Trident: from 2008 to 2012, 3.9,-5.8, 4.8, 3.5, and -2.2 respectively. (Prowest database)

From the above data, anova can be calculated as under:

**Table -1 One Way ANOVA result of selected Companies**

Sources of variance	SS	D.F.	M.S.	F value	F table value
BSS	706.05	4	176.5125		
ESS	298.88	20	14.944	11.8116	2.87
TSS		24			

At 95% confidence level, the critical value obtained from F table is 2.87. The calculated value is 11.81 which is greater than the tabular value and falls in the rejection region. From the above analysis we can say that PBT as % of total income ratio is not the similar.

**Net Profit Margin Ratio/PAT to sales ratio**

This ratio shows the relationship between net profits to sales. The net profit is overall measures of a firm's ability to turn each rupee of sales into profit. It indicates the efficiency with which a business is managed.

For the various selected companies, this ratio as % of total income stands as under:

Banswara syntax: from 2008 to 2012, 1, 1.7, 4.7, 5.6, and 1.5 respectively.

Jindal Cotex: from 2008 to 2012, 4.1, 3, 4.8, 3.8, and -6 respectively.

SRF: from 2008 to 2012, 7.7, 8.3, 12.8, 14.3, and 10.1 respectively.

Supreme: from 2008 to 2012, 3.3,-1.3, 1.2, 1.7, and 1.9 respectively.

Trident: from 2008 to 2012, 3.6,-3.7, 3, 2.6, and -1.5 respectively. (Prowest database)

From the above data, anova can be calculated as under:

**Table -2 One Way ANOVA result of selected Companies**

Sources of variance	SS	D.F.	M.S.	F value	F table value
BSS	328.19	4	82.0475		
ESS	183.21	20	9.1605	8.956662	2.87
TSS		24			

At 95% confidence level, the critical value obtained from F table is 2.87. The calculated value is 8.95 which is greater than the tabular value and falls in the rejection region. From the above analysis we can say that PBT as % of total income ratio is not the similar.

From the above analysis we can say that PBT to income and PAT to income ratio for different selected companies is different i.e. not similar.

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