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A Study on Financial Health of Selected Spinning Mill Companies in India

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ABSTRACT :

By correctly creating linkages between the items on the balance sheet and the profit and loss account, financial analysis may be used to determine the firm's financial strengths and weaknesses. "A study on financial performance analysis of spinning mills in Coimbatore city" is what led to the project work. The study, which examined the company's financial performance over the course of five years (2021–2022), was conducted. Comparative ratio analysis of the balance sheet is one of the analysis tools employed. In order to understand the company's financial performance, appropriate ratios were established and calculated. The analysis's results were thoroughly examined, and when appropriate, recommendations for remedial actions, such as maintaining strong solvency in order to satisfy short- and long-term obligations, were made.

Index terms- Financial Performance, Ratio Analysis, Spinning Mills.

1. INTRODUCTION

Financial performance is defined as the extent to which firm's objectives, both economic and strategic, with respect to exporting a product in a foreign market are achieved through planningand execution of export marketing strategy, export performance refers to the outcomes of export behavior under different organizational environmental condition and is typically viewedas comprising financial, strategic, and satisfaction dimensions of performance.

Financial performance can be measured in objective terms such as sales, profits and subjective measures such as distributor or customer satisfaction. The research objective to determine theeffects of the export information sources, information types, export research methods and the way the export information is used within the company on the measures of export company performance, namely export sales, export growth and export profitability.

OBJECTIVE OF THE STUDY

The main objectives of the study is to determine the financial performance of Amarjothi Spinning Mills Ltd.

- To analysis the liquidity position of the Amarjothi Spinning Mills Ltd.

- To analyse the financial health of the Amarjothi Spinning Mills Ltd.

- To analyse the financial perfomance of the Amarjothi Spinning Mills Ltd.

2. REVIEW OF LITERATURE

N Janardhan Rao et al (2014)[4] in their study on "Indian textiles weaving growth y emphasizedthat Indian textile industry is booming with export orders and is emerging in alternative sourcing location. Post-Multi-Fiber Agreement (MFA), China and India are planning ground in the textile exports due to their sheer size and huge domestic markets. In textile sector has seen a reasonable rise in its export performance. Post-quota, India second in the race for globalmarket share and is recording positive growth rates in its sorts to the US and the European Union. In the period between January-July 2005, exports he US grew by 30-35% while exportsto EU grew almost by 20%

Kartikeya P Bolar (2009)[9] in their study on "Service Export Performance of Business up Affiliated Firms and Individual Firms in the Indian TT Industry", analyzed the performance individual firms and business group firms in the IT industry and tries to give light into what propels service exports in India. A new development in service exports is explosive growth ofbusiness services including professional services. In India, the IT industry forms the major share of foreign exchange earnings. Export performance can be assured with the use of exportintensity, export growth or financial profitability of export rations.

3. METHODOLOGY

- ➢ The study assumes the nature of descriptive research. The main goal of this type of researchis to describe the data and characteristics about what is being studies.

- ➢ The study is descriptive as it attempts to describe the export performance and financial health.

4. TOOLS FOR ANALYSIS

Profitability Ratios

- ➢ Gross profit ratio

- ➢ Net profit ratio

- ➢ Overall profitability ratio

- ➢ Return on shareholder's fund

- ➢ Return on total assets

Activity Turnover Ratios

- ➢ Fixed assets turnover ratio

- ➢ Debtor turnover ratio

- ➢ Inventory turnover ratio

- ➢ Working capital turnover ratio

Profitability ratio

The profitability ratios are calculated to measure the overall efficiency of the business Profitability ratios are used as an indicator of the efficiency with which the operation of the business is carried out.

The following ratios are calculated:

1. Gross profit ratio

2. Net profit ratio

3. Overall profitability ratio

4. Return on shareholder's Funds

5. Return on total assets

Activity/Turnover Ratios

Turnover ratios are also known as "Activity" or "Efficiency ratios. These indicate e efficiencywith which the capital employed is rotated in the business Activity ratio measures the efficiencyof asset management. Turnover ratio indicates the number of times e capital has been rotated in the process of doing business.

The following ratios are calculated:

1. Fixed Assets Turnover Ratio

2. Debtors Turnover Ratio

3. Inventory Turnover Ratio

4. Working Capital Turnover Ratio

5. ANALYSIS AND INTERPRETAION

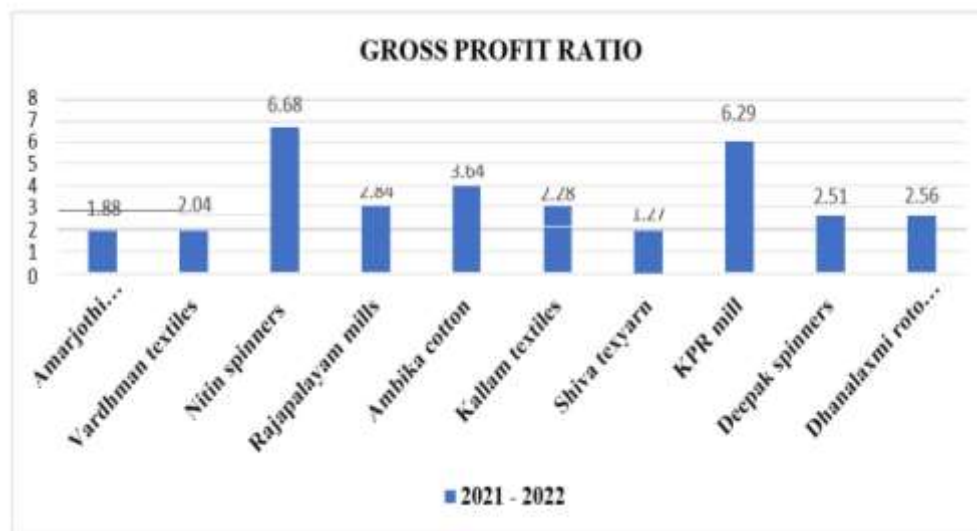**Profitability Ratios Gross Profit Ratio**

A company's revenue minus its cost of goods sold gives the gross profit. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale. It is calculated as

Gross Profit Ratio = Gross profit / Net sales * 100

Table 1: Gross Profit Ratio

Company	Gross Profit	Net Sales	Gross Profit Ratio
Amarjothi Spinning Mill Ltd	166.74	3.14	1.88
Vardhman Textiles Ltd	5,718.47	116.75	2.04
Nitin Spinners Ltd	2,692.32	180.03	6.68
Rajapalayam Mills Ltd	410.41	11.68	2.84
Ambika Cotton Mills Ltd	614.82	22.44	3.64
Kallam Textiles Ltd	239.97	5.48	2.28
Shiva Texyarn Ltd	340.80	4.33	1.27
KPR Mill Ltd	3,948.69	248.69	6.29
Deepak Spinners Ltd	528.31	13.30	2.51
Dhanalaxmi Roto Spinners Ltd	72.84	1.87	2.56

Fig 1: Gross Profit Ratio

INTERPRETATION

It is inferred in the above table that shows gross profit ratio shows Nitin spinners 6.68 maintainsa higher ratio and lower ratio is Shiva texyarn 1.27.
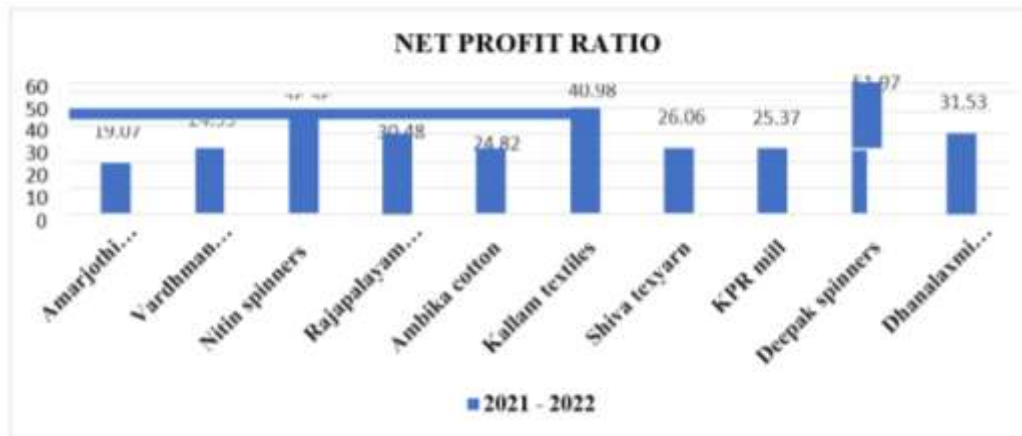
Net Profit Ratio

Net profit ratio indicates net margin earned on sales. Net profit Ratio expressed the relationships between the net profit and net sales. This ratio helps in determining the efficiencywith which affairs of the business are being managed.

Net Profit Ratio = Net Profit / Net Sales*100

Table 2: Net Profit Ratio

Company	Net Profit	Net Sales	Net Profit Ratio
Amarjothi Spinning Mill Ltd	16.46	3.14	19.07
Vardhman Textiles Ltd	467.16	116.75	24.99
Nitin Spinners Ltd	510.72	180.03	35.25
Rajapalayam Mills Ltd	38.32	11.68	30.48
Ambika Cotton Mills Ltd	90.39	22.44	24.82
Kallam Textiles Ltd	13.37	5.48	40.98
Shiva Texyarn Ltd	16.61	4.33	26.06
KPR Mill Ltd	979.49	248.69	25.37
Deepak Spinners Ltd	25.59	13.30	51.97
Dhanalaxmi Roto Spinners Ltd	5.93	1.87	31.53

Fig 2 :Net Profit Ratio

INTERPRETATION

It is inferred in the above table that shows Net profit ratio shows Deepak spinners 51.97 maintains a higher ratio and lower ratio is Amarjothi spinning mill 19.07.
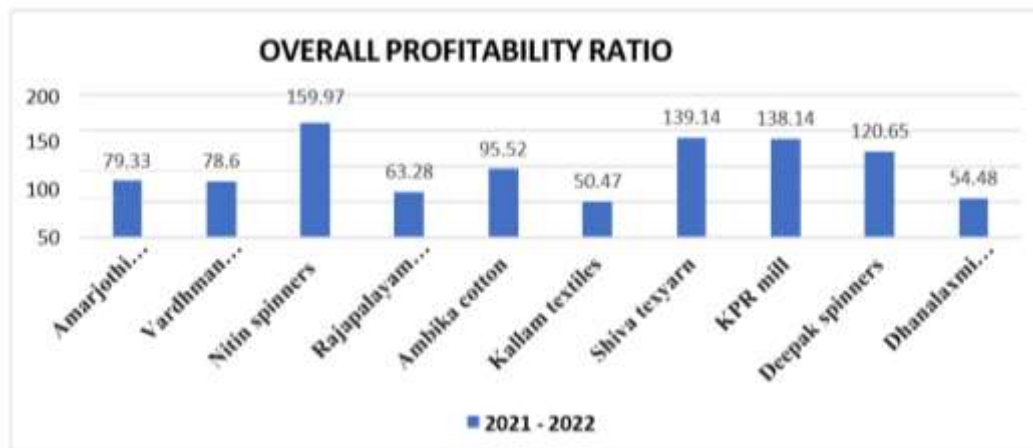
Overall Profitability Ratio

It is also called as "Return on Investments" (ROI) or Return on capital employed PROCE). It indicates the percentage of return on the total capital employed in the business. It is calculatedon the following formula.

Overall Profitability Ratio = Operating Profit / Capital Employed * 100

Table 3: Overall Profitability Ratio

Company	Operating Profit	Capital Employed	Overall Profitability Ratio
Amarjothi Spinning Mill Ltd	153.61	193.61	79.33
Vardhman Textiles Ltd	5,977.11	7,604.4	78.60
Nitin Spinners Ltd	2,260.56	1,413.06	159.97
Rajapalayam Mills Ltd	368.34	582.03	63.28
Ambika Cotton Mills Ltd	564.45	590.88	95.52
Kallam Textiles Ltd	192.53	381.44	50.47
Shiva Texyarn Ltd	281.06	201.99	139.14
Kpr Mill Ltd	3,696.94	2,676.2	138.14
Deepak Spinners Ltd	431.01	357.23	120.65
Dhanalaxmi Roto Spinners Ltd	182.53	335.01	54.48

Fig 3: Overall Profitability Ratio

INTERPRETATION

It is inferred in the above table that shows Overall profitability ratio shows Nitin spinners

159.97 maintains a higher ratio and lower ratio is Kallam textiles 50.47.

Return on Shareholder's Funds

A return on shareholder's equity is calculated to examine the profitableness of the owners investment. The shareholder's funds include common share capital, share premium and reserves and surplus less accumulated losses. Return on shareholder's funds is calculated to workout the profitability of the company from shareholder's point of view. It computed as follows.

Return on Shareholder's Funds =

Net profit after tax / Shareholder's Funds * 100

Table 4: Return on Shareholder's Funds

Company	Net Profit After Tax	Shareholder's Fund's	Return On Shareholder's Fund
Amarjothi Spinning Mill Ltd	145.47	146.34	99.40
Vardhman Textiles Ltd	5,168.61	6,026.89	85.75
Nitin Spinners Ltd	2,559.59	875.81	292.25
Rajapalayam Mills Ltd	349.63	271.41	128.81
Ambika Cotton Mills Ltd	577.42	565.21	102.16
Kallam Textiles Ltd	190.23	198.76	95.70
Shiva Texyarn Ltd	304.44	123.62	246.27
KPR Mill Ltd	3,515.8	2,632.18	133.56
Deepak Spinners Ltd	464.93	196.98	236.02
Dhanalaxmi Roto Spinners Ltd	72.84	22.77	319.89

Fig 4: Return on Shareholder's Funds

INTERPRETATION

It is inferred in the above table that shows Return on shareholder's fund shows Dhanalaxmi roto spinners 319.89 maintains a higher ratio and lower ratio is Vardhman textiles 85.75.

Return on Total Assets Ratio

This ratio is computed to know "productivity of the total assets". Total assets include assets which are releasable, fictitious assets and in tangible assets are not taken into consideration. Net Profit after Tax and interest expressed as a percentage of total assets, refers to the Net profit generated by investment in total assets. This ratio may be expressed as follows.
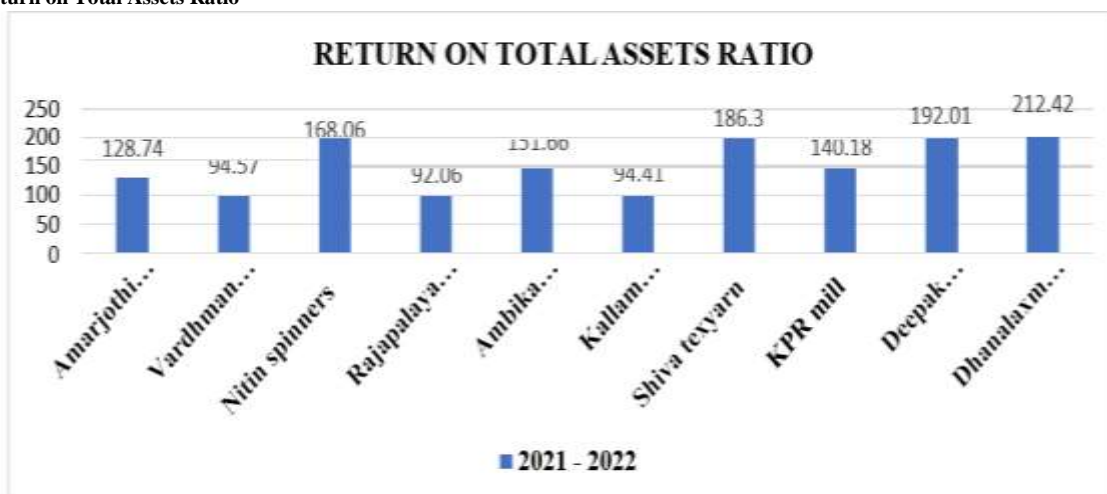
Return on Total Assets Ratio =

Net Profit after Tax / Total assets excluding fixed assets * 100

Table 5: Return on Total Assets Ratio

Comp any	Net Profit After Tax	Total Assets Excluding Fixed Assets	Return On Total Assets Ratio
Amarjothi Spinning Mill Ltd	145.47	112.99	128.74
Vardhman Textiles Ltd	5,168.61	5,465.11	94.57
Nitin Spinners Ltd	2,559.59	812.41	168.06

Rajapalayam Mills Ltd	349.63	379.76	92.06
Ambika Cotton Mills Ltd	577.42	380.73	151.66
Kallam Textiles Ltd	190.23	201.48	94.41
Shiva Texyarn Ltd	304.44	133.35	186.30
KPR Mill Ltd	3,515.8	2,508.86	140.18
Deepak Spinners Ltd	464.93	154.97	192.01
Dhanalaxmi Roto Spinners Ltd	72.84	34.29	212.42

Fig 5: Return on Total Assets Ratio

INTERPRETATION

It is inferred in the above table that shows Return on total assets ratio shows Dhanalaxmi rotospinners

212.42 maintains a higher ratio and lower ratio is Rajapalayam mills 92.06

Activity Ratio

Fixed Asset Turnover Ratio

The fixed assets turnover ratio measures the efficiency with which the firm utilizes itsinvestments in fixed assets. Fixed assets turnover ratio indicates the extent to which the investments in fixed assets contribute towards cost of goods sold. If compared with a previousperiod it indicates whether the investment in fixed assets has been judicious or not.

Fixed Asset Turnover Ratio = Net sales / Net Fixed assets

Table 6 :Fixed Asset Turnover Ratio

Company	Net Sales	Net Fixed Assets	Fixed Asset Turnover Ratio
Amarjothi Spinning Mill Ltd	3.14	80.62	3.89
Vardhman Textiles Ltd	116.75	2,139.29	5.45
Nitin Spinners Ltd	180.03	600.65	20.97
Rajapalayam Mills Ltd	11.68	202.24	5.77
Ambika Cotton Mills Ltd	22.44	201.15	11.15
Kallam Textiles Ltd	5.48	179.96	3.04
Shiva Texyarn Ltd	4.33	68.64	6.30
KPR Mill Ltd	248.69	167.34	6.27
Deepak Spinners Ltd	13.30	66.78	19.91
Dhanalaxmi Roto Spinners Ltd	1.87	10.63	17.59

Fig 6 :Fixed Asset Turnover Ratio
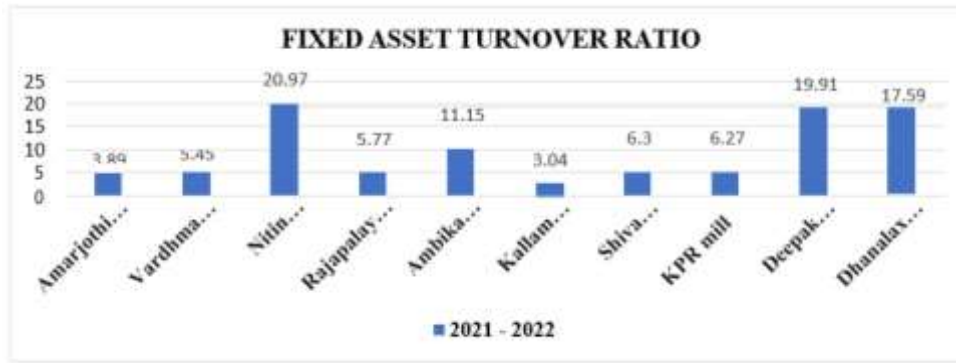
INTERPRETATION

It is inferred in the above table that shows Fixed asset turnover ratio shows Nitin spinners 20.97 maintains a higher ratio and lower ratio is Kallam textiles 3.04.

Debtor's Turnover ratio

Debtor's turnover is found out by dividing credit sales for average debtors. Debtors mover indicates the number of times debtors turnover each year. The higher the value of turnover, themore efficient is the management of credit. The average number of days for which debtors remain outstanding is called the average collection period.

Debtors Turnover Ratio = Net credit sales / Average Account Receivable

Table 7: Debtors Turnover Ratio

Company	Net Credit Sales	Average Account Receivable	Debtors Turnover Ratio
Amarjothi Spinning Mill Ltd	3.14	36.96	0.08
Vardhman Textiles Ltd	116.75	986.60	0.11
Nitin Spinners Ltd	180.03	240.68	0.74
Rajapalayam Mills Ltd	11.68	76.81	0.15
Ambika Cotton Mills Ltd	22.44	13.47	1.66
Kallam Textiles Ltd	5.48	19.19	0.28
Shiva Texyarn Ltd	4.33	34.18	0.12
Kpr Mill Ltd	248.69	39.63	0.63
Deepak Spinners Ltd	13.30	33.14	0.40
Dhanalaxmi Roto Spinners Ltd	1.87	10.24	0.18

Fig 7: Debtors Turnover Ratio

INTERPRETATION

It is inferred in the above table that shows Debtors turnover ratio shows Ambika cotton 1.66 maintains a higher ratio and lower ratio is Amarjothi spinning mill 0.08.

Inventory Turnover Ratio

This ratio shows the number of times a company's inventory is tamed into sales, The ratio indicates whether investment in inventory is efficiently used or not. It indicated er there is over- stocking materials.

Stock Turnover 2.50 = Cost of goods sold/Average inventory

Inventory Holding Period 12 months (or) 365 days/ Inventory Turnover Ratio

Inventory Turnover Ratio = Cost of sales / Average inventory

Table 8 :Inventory Turnover Ratio

Company	Cost Of Sales	Average Inventory	Inventory Turnover Ratio
Amarjothi Spinning Mill Ltd	94.24	4.16	22.65
Vardhman Textiles Ltd	4,554.75	218.68	20.82
Nitin Spinners Ltd	702.66	33.85	20.75
Rajapalayam Mills Ltd	268.31	10.82	24.79
Ambika Cotton Mills Ltd	361.17	26.1	13.83
Kallam Textiles Ltd	183.89	8.55	21.50
Shiva Texyarn Ltd	135.5	6.02	22.50
KPR Mill Ltd	1,708.32	70.99	24.06
Deepak Spinners Ltd	110.63	6.76	16.36
Dhanalaxmi Roto Spinners Ltd	32.93	1.12	29.40

Fig 8: Inventory Turnover Ratio

INTERPRETATION

It is inferred in the above table that shows Inventory turnover ratio shows Dhanalaxmi roto spinners

29.40 maintains a higher ratio and lower ratio is Ambika cotton 13.83.

Working Capital Turnover Ratio

Working capital Turnover ratio indicates whether or not Networking capital has by effectively utilized in making sales.

Net working Capital = Current Ants - Current Liabilities

Working Capital Turnover Ratio = Net sales / Working capital

Table 9: Working Capital Turnover Ratio

Company	Net Sales	Working Capital	Working Capital Turnover Ratio
Amarjothi Spinning Mill Ltd	3.14	51.8	0.06
Vardhman Textiles Ltd	116.75	3,338.44	0.03
Nitin Spinners Ltd	180.03	342.96	0.52

Rajapalayam Mills Ltd	11.68	118.67	0.09
Ambika Cotton Mills Ltd	22.44	333.38	0.06
Kallam Textiles Ltd	5.48	21.18	0.25
Shiva Texyarn Ltd	4.33	19.66	0.22
KPR Mill Ltd	248.69	1,186.71	0.20
Deepak Spinners Ltd	13.30	50.1	0.26
Dhanalaxmi Roto Spinners Ltd	1.87	18.96	0.09

Fig 9: Working Capital Turnover Ratio
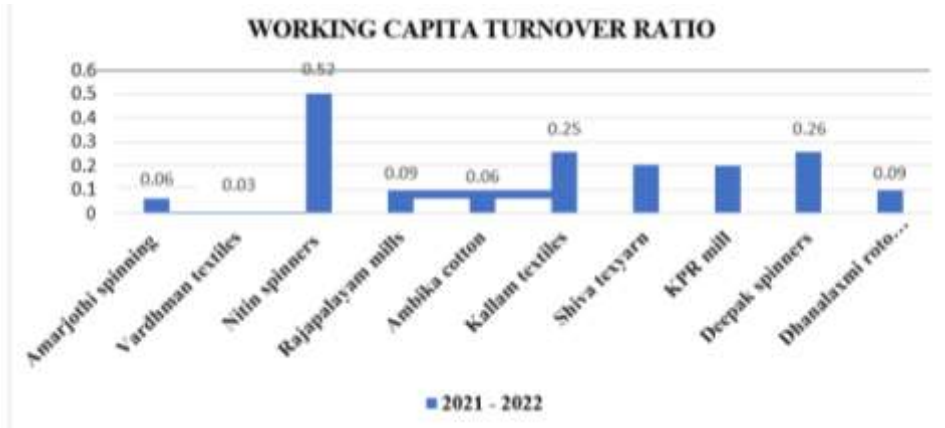
INTERPRETATION

It is inferred in the above table that shows Working capital turnover ratio shows Nitin spinners

0.52 maintains a higher ratio and lower ratio is Vardhman textiles 0.03.

VI. CONCLUSION

- The Gross profit ratio shows Nitin spinners 6.68 maintains a higher ratio and lower ratio is Shiva exyarn 1.27.

- The Net profit ratio shows Deepak spinners 51.97 maintains a higher ratio and lowerratio is Amarjothi spinning mill 19.07.

- The Overall profitability ratio shows Nitin spinners 159.97 maintains a higher ratio and lower ratio is Kallam textiles 50.47.

- The Return on shareholder's fund shows Dhanalaxmi roto spinners 319.89 maintains a higher ratio and lower ratio is Vardhman textiles 85.75.

- The Return on total assets ratio shows Dhanalaxmi roto spinners 212.42 maintains a higher ratio and lower ratio is Rajapalayam mills 92.06.

- The Fixed asset turnover ratio shows Nitin spinners 20.97 maintains a higher ratio and lower ratio is Kallam textiles 3.04.

- The Debtors turnover ratio shows Ambika cotton 1.66 maintains a higher ratio and lower ratio is Amarjothi spinning mill 0.08.

- The Inventory turnover ratio shows Dhanalaxmi roto spinners 29.40 maintains a higherratio and lower ratio is Ambika cotton 13.83.

- The Working capital turnover ratio shows Nitin spinners 0.52 maintains a higher ratioand lower ratio is Vardhman textiles 0.03.

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