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A STUDY ON FINACIAL PERFORMENCE OF LAKSHMI MILLS Ltd IN COIMBATORE CITY

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ABSTRACT:

This study aims to analyze the financial performance of Lakshmi Mills Ltd in Coimbatore, focusing on key financial indicators that determine the company's stability, profitability, and efficiency. Financial performance evaluation is crucial for stakeholders, including investors, management, and policymakers, to assess a company's financial health and make informed decisions. The research examines various financial aspects such as liquidity, profitability, solvency, and efficiency ratios to understand the company's financial strengths and weaknesses. A detailed financial statement analysis, including trend analysis, ratio analysis, and comparative financial performance, has been conducted using secondary data from annual reports and financial statements of Lakshmi Mills Ltd. The findings suggest that while the company has maintained a stable market presence, challenges such as fluctuating profitability, high operational costs, and changing industry dynamics impact its overall performance. The study concludes that effective cost management, strategic financial planning, and operational efficiency are essential for improving the financial performance of Lakshmi Mills Ltd. The research provides valuable insights for financial analysts, investors, and corporate decision-makers looking to enhance financial sustainability in the textile industry.

Key Words: Financial performance, Lakshmi Mills, ratio analysis, profitability, liquidity, solvency, textile industry, financial sustainability.

INTRODUCTION:

Finance is a field of study that focuses on the management of money, credit, banking, and investments at the personal, corporate, and public levels. It's a branch of economics that studies how money, goods, assets, and services are produced, distributed, and consumed. Finance also involves the use of credit, debt, securities, and investments to fund current projects using future income. In the modern business environment, financial performance plays a crucial role in determining the overall success and sustainability of an organization. Analyzing the financial performance of a company helps to assess its profitability, liquidity, operational efficiency, and solvency, which are essential for informed decision-making by stakeholders, investors, and management. For this study, we focus on the financial performance of Lakshmi Mills Ltd., a prominent player in the textile industry in Coimbatore. The study provides an in-depth examination of the company's financial health through a detailed analysis of its balance sheet, financial ratios, and trends over time. Financial performance analysis involves the evaluation of a company's financial statements, which include the balance sheet, income statement, and cash flow statement. By applying various financial ratios and techniques, it is possible to derive meaningful insights that can help assess the overall financial health of the organization. This process is essential for understanding how well the company is performing in comparison to industry standards, competitors, and historical performance. For Lakshmi Mills Ltd., financial performance analysis is crucial in identifying areas where the company excels and areas where improvements are needed. Through the application of different financial ratios and tools, the study provides a comprehensive understanding of the company's strengths and weaknesses in its financial structure. This is particularly important for a company operating in the textile industry, which is subject to fluctuating raw material prices, changing market conditions, and international competition.

OBJECTIVE OF STUDY:

The main objective to study the financial performance of Lakshmi Mills are listed as under:

- To know the asset impact and growth of Lakshmi Mills ltd.
- To examine the ratio analysis of Lakshmi Mills for the reference period of the study.
- To compare income statements and balance sheets over multiple years for trends.
- To analyse the financial performance of Lakshmi Mills.

STATEMENT OF THE PROBLEM:

The textile industry in India is highly competitive, with companies facing challenges related to fluctuating raw material costs, labour issues, and shifting consumer preferences. Lakshmi Mills, a long-standing player in the textile sector, is navigating these challenges while striving to maintain profitability and market share. Despite its rich heritage and established brand, the company faces significant financial pressures due to increasing competition, changes in the global textile market, and economic uncertainties. Lakshmi Mills must contend with several financial issues that could affect its long-term sustainability and ability to compete effectively. Key financial concerns include maintaining profitability in a market with rising costs and declining margins, managing liquidity to meet short-term obligations, ensuring solvency to handle long-term debts, and improving operational efficiency to reduce costs. These financial challenges must be addressed to secure the company's future in a rapidly changing and competitive textiles industry.

REVIEW OF LITERATURE:

Meenakshi (2019): Analysed the company's liquidity position, noting an average current ratio of 1.5. The study praised the company's ability to meet short-term obligations but cautioned against the limited cash reserves for strategic investments. It also recommended improving cash flow forecasting methods and establishing contingency funds to handle unforeseen disruptions in the business.

Iyer (2023): Recommended refinancing high-cost loans to take advantage of lower interest rates. The study also emphasized exploring alternative financing options like equity infusion to reduce debt dependency. It further suggested implementing a more rigorous financial management system to track debt levels and ensure timely repayment, which would enhance investor confidence.

COMPANY PROFILE :

Lakshmi Mills Company Limited, founded in 1910 by visionary entrepreneur G. Kuppuswami Naidu, is a renowned name in India's textile industry. Headquartered in Coimbatore, Tamil Nadu, the company has played a significant role in shaping the region's industrial growth. With a strong foundation in spinning and weaving cotton fabrics, Lakshmi Mills later diversified into producing synthetic blends and other high-quality textile products. Over the years, the company has earned a reputation for its commitment to quality, reliability, and customer satisfaction. Its state-of-the-art manufacturing facilities, equipped with cutting-edge technology, ensure precision, innovation, and superior quality, making Lakshmi Mills a trusted name in both domestic and international markets. Beyond its core textile production, Lakshmi Mills has significantly contributed to Coimbatore's evolution as a major textile hub in India. The company has created employment opportunities for thousands of workers, fostering economic growth and sustainability in the region. Additionally, Lakshmi Mills has embraced eco-friendly and responsible manufacturing practices, ensuring that its operations align with global sustainability standards. By blending tradition with modernity, the company has continued to adapt to changing market demands, maintaining its legacy as a leader in the textile industry for over a century. Lakshmi Mills exports its products worldwide, strengthening India's presence in the global textile market. Its diverse product range includes high-quality yarns, fabrics, and textile-related goods, catering to various industries. Beyond traditional textiles, the company has ventured into technical textiles, which serve specialized industries such as automotive, medical, and defense. By continuously expanding its portfolio, Lakshmi Mills remains at the forefront of innovation, offering advanced textile solutions to meet the growing needs of its customers across different sectors.

**PROFILE OF THE COMPANY**

NAME OF THE COMPANY	: Lakshmi Mills Ltd
ESTABLISHED YEAR	: 1910
CERTIFICATE:	: ISO 9001
ADDRESS OF THE COMPANY	: 1100, Avinashi Road, Pappanaickenpalayam, Coimbatore – 641037, Tamil Nadu
PHONE NUMBER	: +91 422 2245461
E-MAIL	: info@lakshnimills.com
WEBSITE	: www.lakshnimills.com
BANKER	: State Bank of India

NO OF EMPLOYEES : More than 1,500
ANNUAL TURNOVER : Over ₹200 Crores
NATURE OF BUSINESS : Manufacturing
TYPE OF PRODUCT : Yarns and fabrics (cotton, synthetic blends, and Specialty textiles)
CHAIRMAN : Mr. Sanjay Jayavarthanavelu
MANAGING DIRECTOR : Mr. Harsha Jayavarthanavelu
LOGO



RATIO ANALYSIS

CURRENT RATIO

Current Ratio = Current Assets / Current Liabilities

CURRENT RATIO

YEAR	CURRENT ASSETS (RS. In Lakhs)	CURRENT LIABILITIES (RS. In lakhs)	RATIO
2019-2020	6,525.33	9,694.27	0.67
2020-2021	6194.37	8587.00	0.72
2021-2022	9,315.53	9,674.25	0.96
2022-2023	6,563.83	9,543.17	0.69
2023-2024	6,464.34	11,106.31	0.58

Sources: Computed and compiled from annual reports of LAKSHMI MILLS

The Table 4.1 reveals the relationship between the current asset and current liabilities. During the year 2019-2020 to 2023-2024 was fluctuation in the years. Current ratio is highest during 2018-2019 at 0.96 times. The lowest times was recorded in the year 2023-2024 which was 0.58 times.

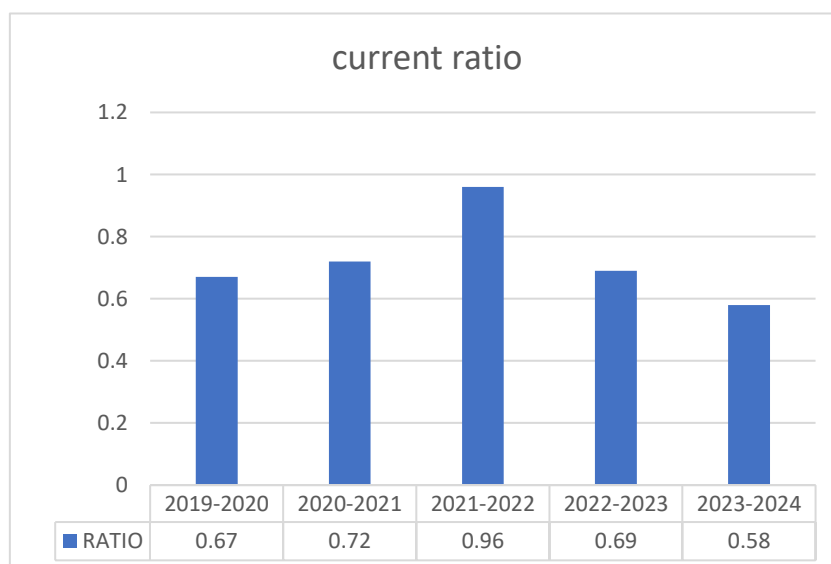


CHART REVEALS CURRENT RATIO**QUICK RATIO**

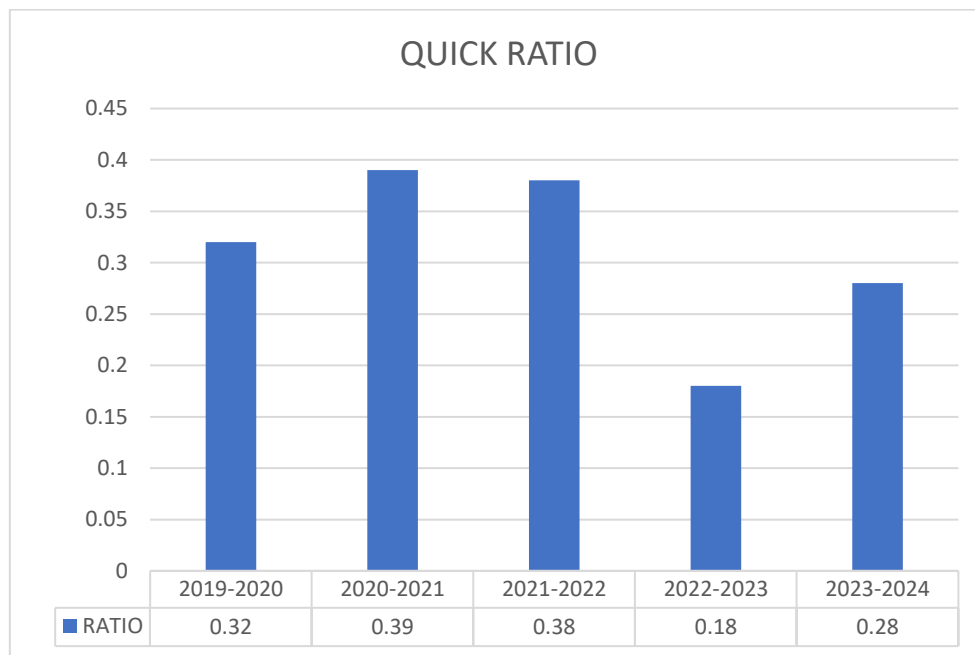
$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$$

Quick Ratio

YEAR	CURRENT ASSETS (RS. In Lakhs)	INVENTORY (RS. In lakhs)	CURRENT LIABILITIES (RS. In lakhs)	RATIO
2019-2020	6,525.33	3379.55	9,694.27	0.32
2020-2021	6194.37	2799.44	8587.00	0.39
2021-2022	9,315.53	5556.25	9,674.25	0.38
2022-2023	6,563.83	4811.04	9,543.17	0.18
2023-2024	6,464.34	3297.66	11,106.31	0.28

Source: Computed and compiled from annual reports of LAKSHMI MILLS

The Table 4.2 shows that the quick ratios of the company. During the year 2019-2020 to 2023-2024 was fluctuation in the year. The ratios is highest during 2020-2021 at 0.39 times. The lowest times recorded in the year 2022-2023 at 0.18 times.

Chart reveals Quick ratio**Gross Profit Ratio**

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Net Sales}) \times 100$$

Gross profit ratio

YEAR	GROSS PROFIT (Rs in Lakhs)	NET SALES (Rs in Lakhs)	RATIO
2019-2020	9671.43	21845.05	44.30
2020-2021	11423.90	18390.28	62.14

2021-2022	15612.55	34671.96	45.02
2022-2023	9098.05	23991.42	37.93
2023-2024	9893.90	25296.90	39.13

Source: Computed and compiled from annual reports of LAKSHMI MILLS

The Table 4.1 shows that the gross profit ratio of the company during the year 2019-2020 to 2023-2024 was fluctuating. The ratio was highest during 2020-2021 at 62.14%. The lowest ratio was recorded in the year 2022-2023 at 37.93%.

Chart reveals gross profit ratio



DEBT EQUITY RATIO

$$\text{Debt Equity Ratio} = \text{Total Debt} / \text{Shareholders' Equity}$$

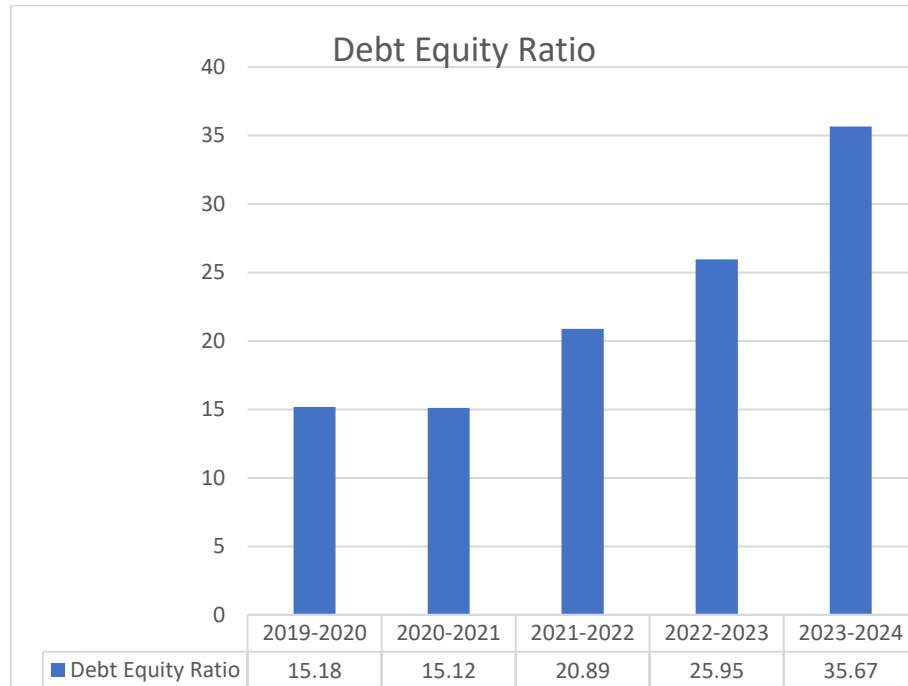
Debt Equity Ratio

YEAR	Total debts	Shareholder's equity	Debt Equity Ratio
2019-2020	10560.30	695.55	15.18
2020-2021	10517.52	695.55	15.12
2021-2022	14531.60	695.55	20.89
2022-2023	18051.73	695.55	25.95
2023-2024	24815.30	695.55	35.67

Source: Computed and compiled from annual reports of LAKSHMI MILLS

The Table 4.1 shows total debt equity of the company. During the year 2019-2020 to 2023-2024 which was increasing in the year. The ratios is highest during 2023-2024 at 35.67 times and the lowest ratio was recorded on 2019-2020 at 15.18 times.

Chart reveals debt equity ratio

**INVENTORY TURNOVER RATIO**

Inventory Turnover Ratio = Cost of Goods Sold (COGS) / Average Inventory

Inventory Turnover Ratio

YEAR	COST OF GOODS SOLD	AVERAGE INVENTORY	RATIO
2019-2020	21845.05	3324.12	6.57
2020-2021	18390.28	3089.435	5.95
2021-2022	14525.37	4177.845	3.47
2022-2023	23991.42	5183.645	4.62
2023-2024	25296.90	4054.35	6.23

Source: Computed and compiled from annual reports of LAKSHMI MILLS

The table 4.3.5 reveals the relationship between the net sales of the average inventory. During the year 2019-2020 to 2023-2024 which was fluctuation in the year. The ratio highest during 2019-2020 at 6.57 times. The lowest times was recorded in the year 2022-2023 which was 4.62 times.

Chart reveals Inventory turnover ratio

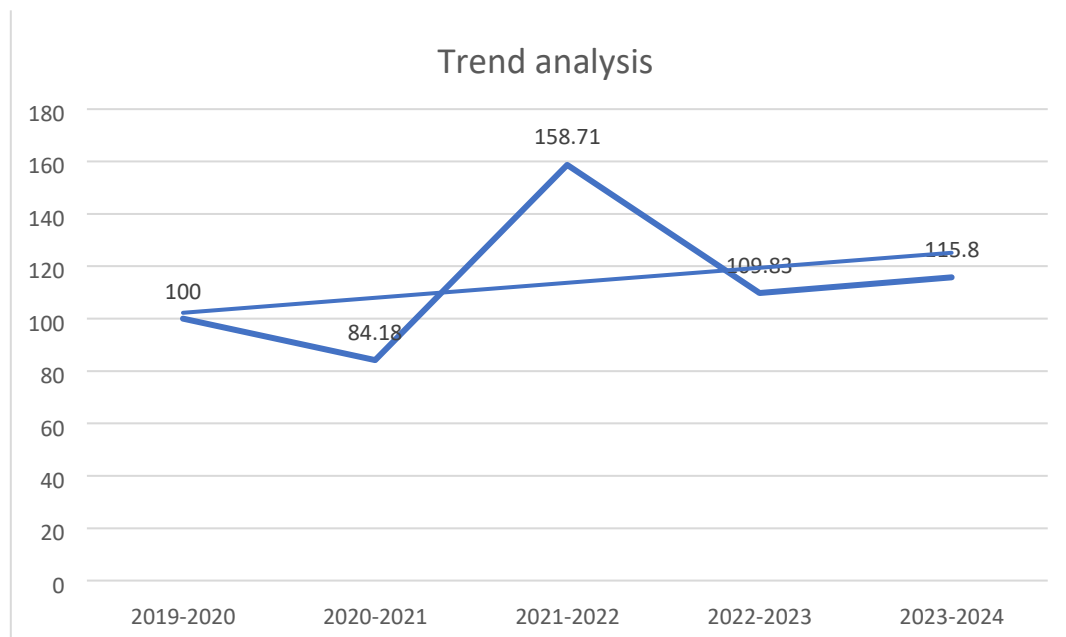


TREND ANALYSIS

$$TREND ANALYSIS = \frac{CURRENT YEAR}{BASE YEAR} \times 100$$

TREND ANALYSIS

Year	Sales	Trend analysis (%)
2019-2020	21845.05	100
2020-2021	18390.28	84.18
2021-2022	34671.96	158.71
2022-2023	23991.42	109.83
2023-2024	25296.90	115.80

**TREND ANALYSIS****INTERPRETATION:**

The table shows that trend analysis shows the financial performance over the years from 2019-2020 to 2023-2024, with 2019-2020 as the base year. An initial decline in 2020-2021 (84.18%) due to possible external factors, followed by a strong recovery in 2021-2022 (158.71%), moderate growth in 2022-2023 (109.83%), and sustained improvement in 2023-2024 (115.80%), indicating overall resilience and financial stability with a 15.80% growth from the base year.

Findings

The financial performance analysis of Lakshmi Mills Ltd. from 2019-2020 to 2023-2024 shows fluctuating trends in key financial ratios. The current ratio remained consistently below the ideal benchmark of 1 throughout the study period, indicating liquidity issues. The lowest ratio was recorded in 2023-2024 at 0.58, highlighting a possible inability to cover short-term liabilities effectively. The quick ratio followed a similar trend, reaching a low of 0.18 in 2022-2023, which implies a limited ability to meet immediate obligations using quick assets. The gross profit ratio exhibited variability, with a peak at 62.14% in 2020-2021 but showing a declining pattern thereafter, possibly due to increased production costs or lower sales margins. The debt-equity ratio increased steadily year by year, reaching a high of 35.67 in 2023-2024, reflecting the company's growing reliance on borrowed capital and a weak equity base. The inventory turnover ratio displayed inconsistent patterns but improved to 6.23 in 2023-2024, indicating better inventory efficiency after a dip. Trend analysis based on net sales shows a recovery and steady growth after a dip in 2020-2021, reflecting resilience and the ability to bounce back in a competitive market.

Suggestions

Lakshmi Mills Ltd. should focus on enhancing liquidity by improving current and quick ratios through effective working capital management and maintaining adequate liquid reserves. The company should explore ways to reduce its dependence on debt by improving equity funding and optimizing

its capital structure. Measures such as cost control, efficient production processes, and better pricing strategies will help stabilize and improve the gross profit ratio. To ensure financial sustainability, Lakshmi Mills should adopt strong financial planning, including regular monitoring of debt levels and timely repayment strategies. Improving inventory management practices and streamlining supply chain processes can further enhance inventory turnover and operational efficiency. Adoption of financial forecasting tools and data-driven decision-making is recommended to proactively address potential financial risks.

Conclusion

The study of Lakshmi Mills Ltd.'s financial performance over five years indicates a mix of strengths and financial challenges. While the company has shown resilience in sales and operational recovery, it continues to face significant issues in liquidity, debt management, and profitability stability. Addressing these issues is essential for improving financial health and ensuring long-term sustainability. By implementing strategic financial practices and maintaining operational efficiency, Lakshmi Mills Ltd. can strengthen its competitive position in the textile industry and achieve steady growth in the future.