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A Study on Financial Performance Analysis of Handloom Textiles: A Case Study of Sri Seenivasa Textiles, Tiruppur

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ABSTRACT

The financial performance of Sri Seenivasa Textiles, a medium-sized handloom towel manufacturing company with its headquarters in Tiruppur, Tamil Nadu, is examined in this study. Key financial tools like ratio analysis, trend analysis, and comparative balance sheet review are used in this analysis, which covers the years 2019–2024. A sound financial trajectory is shown by the results, which show a notable improvement in liquidity, profitability, efficiency, and solvency measures. Through SWOT analysis, the study also determines external opportunities and threats in addition to internal strengths and weaknesses. For financial advisors and SME textile units striving for sustainable expansion, the findings offer insightful information.

Keywords: comparative balance sheet, handloom industry, ratio analysis, trend analysis, and financial performance.

INTRODUCTION

The handloom industry is a crucial segment of the Indian textile sector, not just for its economic impact but also for its importance in maintaining India's rich cultural heritage. It offers jobs to millions, especially in rural regions, and plays an essential role in the country's micro, small, and medium enterprise (MSME) framework. Despite its potential and historical significance, the industry encounters various challenges such as a lack of modernization, constrained access to credit, increasing input costs, and fierce competition from power looms and synthetic fiber sectors. This study intends to analyze the financial stability and performance of Sri Seenivasa Textiles over a span of five years (2019–2024). By utilizing a range of financial analysis techniques—such as ratio analysis, trend analysis, and comparative balance sheet assessment—the research highlights important strengths and potential areas for enhancement. Additionally, it uses SWOT analysis to evaluate internal strengths and external threats. This evaluation is especially pertinent in the aftermath of the pandemic, as MSMEs in the textile industry need to implement strategic financial planning to recover and achieve sustainable growth.

REVIEW OF LITERATURE

Ministry of Textiles Annual Report (2023) indicates that modernization and structured financial planning are key to reviving the handloom sector. It also states that MSMEs that adopted digital tracking of inventory and sales witnessed growth in both revenue and margins.

Khan and Jain (2021), in Management Accounting, highlight that profitability ratios like Net Profit Margin and Return on Equity are essential for assessing a company's operational efficiency and returns to shareholders. They further suggest the use of comparative statements to observe inter-year changes.

Pandey, I.M. (2020), in his book Financial Management, emphasizes the importance of ratio analysis and trend analysis for evaluating a firm's liquidity, profitability, and solvency. He argues that consistent monitoring of financial indicators is critical for long-term sustainability.

Sivakumar, K. (2020) explored the impact of financial ratios on the performance of textile industries in Coimbatore and Tiruppur. The study found a strong correlation between inventory turnover and gross profit margins, suggesting the importance of efficient stock management.

Rao, P. Mohana (2019) conducted a study on small-scale textile units in South India and found that poor working capital management and high dependence on manual labor often led to declining efficiency in handloom sectors.

Singh, R. (2018) examined the financial performance of cooperative handloom societies in Tamil Nadu. The study revealed that while societies showed improved solvency, they lacked technological adaptation, which hampered profitability.

OBJECTIVE

- To assess the financial performance of Sri Seenivasa Textiles from 2019 to 2024.

- To analyze the positions of liquidity, profitability, efficiency, and solvency.

- To investigate financial trends in revenue, expenditures, and profitability.

- To evaluate the comparative changes in assets, liabilities, and equity over time.

- To perform a SWOT analysis for strategic insights.

PROBLEM STATEMENT

The handloom textile sector in India, although culturally important and a significant source of employment, continues to encounter considerable financial difficulties. Medium-sized handloom businesses, like Sri Seenivasa Textiles in Tiruppur, Tamil Nadu, function in a fiercely competitive market with restricted access to modern technologies and financial backing. These companies frequently face challenges related to inefficient use of capital, slim profit margins, elevated production costs, and inadequate inventory turnover. While the sector does receive some governmental assistance, the absence of timely financial analysis and performance evaluation hampers their ability to make well-informed business choices. Additionally, the economic aftermath of the pandemic has heightened the pressure on these companies to enhance their financial stability, streamline their operations, and sustain liquidity.. Consequently, a comprehensive financial performance assessment is essential to identify the strengths and weaknesses of these businesses and suggest areas for enhancement. This research intends to address this issue by analyzing the financial performance of Sri Seenivasa Textiles over a span of six years utilizing a range of analytical tools to facilitate improved strategic planning and sustainability.

RESEARCH METHODOLOGY

The study is both descriptive and analytical, concentrating on assessing the financial performance of Sri Seenivasa Textiles, a medium-sized handloom business in Tiruppur, Tamil Nadu. The analysis relies on secondary data gathered from the company's financial records, such as profit and loss statements, income statements, and balance sheets for the years 2019 to 2024. To evaluate the company's liquidity, profitability, efficiency, and solvency, the study uses a variety of financial analysis tools, including ratio analysis, trend analysis, comparative balance sheets, and SWOT analysis. The results are analyzed to offer strategic insights and actionable recommendations for enhancing the company's financial performance.

DATA ANALYSIS & INTERPRETATION

Table 1 financial ratio analysis (2019-2024)

Ratio	2019	2020	2021	2022	2023	2024
Current ratio	1.45	1.50	1.42	1.30	1.55	1.62
Quick ratio	1.10	1.15	1.08	1.20	1.18	1.22
Gross profit margin	28.5	29.2	27.8	30.1	31.0	32.5
Net profit margin	10.2	11.5	9.8	12.0	12.5	13.2
ROA	9.4	10.1	8.5	11.2	11.8	12.3
ROE	12.5	13.4	11.2	14.6	15.3	16.1
Inventory turnover ratio	4.2	4.5	4.0	4.7	4.9	5.1
Receivables turnover	6.1	6.3	5.8	6.5	6.7	7.0
Solvency ratio	0.58	0.61	0.55	0.64	0.66	0.70

Interpretation: The ratio analysis shows a consistent enhancement in financial wellbeing. The current and quick ratios consistently surpass the typical benchmark of 1, suggesting robust short-term liquidity. Profitability has improved, with the net profit margin increasing from 10.2% to 13.2%. ROA and ROE have also increased, reflecting better resource use and value creation for shareholders. The inventory, receivables, and solvency ratios suggest that the company can fulfill its debt obligations and is improving its long-term financial stability.

Table 2 Trend Analysis (2019-2024)

Particulars	2019	2020	2021	2022	2023	2024
Total revenue	240.0	265.0	252.0	280.0	295.0	310.0
Total expenses	185.0	192.0	188.0	195.0	203.0	210.0
Gross profit	55.0	73.0	64.0	85.0	920	100.5
Net profit	24.5	30.5	24.7	33.6	36.9	40.9
Current asset	120.0	135.0	128.0	145.0	150.0	160.0
Current liabilities	83.0	90.0	90.0	90.0	96.7	98.8
Total asset	260.0	285.0	290.	300.0	315.0	332.0
Share holders equity	196.0	210.0	220.0	230.0	241.0	253.5

Interpretation: The trend analysis shows favorable growth across all key financial metrics over the six-year period. With a net profit increase of about 66.9% and a revenue increase of almost 29.2%, the company demonstrated improved performance and profitability. Although costs have increased in accordance with operations, they are effectively managed in relation to revenues. An increase in current assets and total assets indicates that the company is expanding and reinvesting. The equity base has also increased, indicating that the company may have invested capital or reinvested profits for growth or modernization.

Table 3 Comparative Balance Sheet (2019 vs 2024)

Particulars	2019	2024	Change	% of change
Total asset	260.0	332.0	+72.0	+27.7
Total liabilities	64.0	78.5	+14.5	+22.7
Share holders equity	196.0	253.5	+57.5	+29.3
Current asset	120.0	160.0	+40.0	+33.33
Current liabilities	83.0	98.8	+15.8	+19.0
Revenue	240.0	310.0	+70.0	+29.2
Net profit	24.5	40.9	+16.4	+66.9

Interpretation: Over the five-year period, the comparative balance sheet indicates a rise in total assets of 27.7% and a increase in shareholder equity of 29.3%. This implies that the business is growing its operations in a sustainable manner and upholding a solid capital base. Improved short-term liquidity is indicated by a rise in current liabilities and an increase in current assets. The increase in net profit and revenue corresponds with the asset growth, indicating profitability and operational effectiveness.

SWOT analysis:

Strength:

- Established Market Presence: The company has maintained a steady presence in the handloom towel segment in Tiruppur, known for its quality and craftsmanship.

- Skilled Workforce: The availability of trained artisans and weavers ensures product quality and consistency.

- Consistent Revenue Growth: Financial trend analysis shows a steady increase in revenue over the past six years, indicating business stability.

- Local Raw Material Access: Easy access to cotton and dye materials within Tamil Nadu reduces input costs.

Weakness:

- Low Technological Adoption: A strong dependence on traditional handloom techniques restricts efficiency and scalability in production.

- Working Capital Constraints: Ratio analysis shows limited liquidity, pointing to ineffective cash flow management.

- Limited Diversification: The company's primary focus on towel manufacturing makes it susceptible to changes in market demand for a single product category.

- Lack of Marketing and Branding: Limited promotional activities diminish visibility in wider markets, such as export potential.

Opportunities:

- Increasing Demand for Eco-friendly Products: There are new market niches due to greater awareness of sustainable, artisanal fabrics.

- Government Assistance Programs: Programs like the National Handloom Development Programme (NHDP) can offer support for modernization and financial assistance.

- Digital Marketing & E-commerce: Growing to online platforms may improve direct-to-consumer sales and broaden customer reach.

- Export Market Potential: The uniqueness and quality of handloom goods make them highly sought after in foreign markets.

Threats:

- Competition from Powerloom and Synthetic Textiles: The market share of conventional handloom producers is diminished by the mass production of large textile companies.

- Price Sensitivity in the Market: Sales volume is affected as customers frequently choose less expensive, machine-made options.

- Increasing Raw Material Costs: Changing cotton and dye prices have an impact on profit margin and cost management.

FINDINGS & SUGGESTION

Findings:

- The firm shows consistent increases in both sales and profit.

- Financial stability is guaranteed by enhanced liquidity and solvency positions.

- There is a noticeable increase in profitability ratios.

- Effective management of working capital is seen.

- SWOT analysis reveals opportunities for growth and modernization

Recommendation:

- Make an investment in semi-automated tools to improve production efficiency

- Increase exports and online retail for greater market penetration.

- Use ERP tools to enhance receivables and inventory management.

- Keep an eye on raw material prices and look into different sourcing options.

CONCLUSION

From 2019 to 2024, the financial analysis of Sri Seenivasa Textiles shows a steady and positive improvement in performance indicators. The organization is ideally situated for further expansion thanks to its solid financial foundation. Nevertheless, strategic efforts like digital transformation, market diversification, and modernization will be essential for maintaining lasting success in the changing handloom industry.

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