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A STUDY ON ACTIVITY POSITION ANALYSIS OF SELECTED INDIAN TEXTILE COMPANIES

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ABSTRACT

Activity ratios show how well a company uses its resources, including inventory, accounts receivable, and fixed assets. Activity ratios gauge how efficiently a business can use its asset, liability, and capital to create income in the form of cash and sales. Activity ratios are important in assessing a firm's operating efficiency since they not only show how efficiently a company makes revenue but also how well it is managed to make the most use of all of its balance sheet components. In this paper, activity position of some selected textile companies is closely monitored. In this process, excel and SPSS software is used to perform the analysis part. Thus, studying various statically parameters associated.

Keywords: Activity, Textile, Ratios, GDP.

INTRODUCTION

In India, the textile industry is equal just to agriculture. One of India's oldest businesses, textiles have a significant impact on the country's economy since it accounts for one-third of our total export revenues, 14% of manufacturing value-added, and millions of people with meaningful employment. In our nation, the textile sector holds a special position.

One of people's most fundamental requirements is being met by the textile industry, which is crucial for maintaining steady growth and rising living standards. It occupies a unique position as an industry that is self-sufficient, adding significant value at every level of processing from the manufacture of raw materials to the supply of completed goods; it is a foremost impact to the country's economy.

The structure and expansion of the Indian textile industry

One of the main industries in India is textiles. The textile and apparel sectors contributed around 4% to GDP, 14% to industrial production, 18% to industrial employment, and 27% to export revenues in 2000/01. India's textile sector is also significant on a worldwide scale, coming in fifth place for the production of synthetic fibres and yarns and second to China for the production of cotton fabric and yarn.

Contrary to other major textile-producing nations, India's textile industry is characterised by largely small-scale, non-integrated spinning, weaving, fabric finishing, and garment firms, many of which employ outdated technologies.

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Some businesses—usually bigger ones—operate in the "organised" sector, where they are subject to a number of labour and tax restrictions. However, the majority of businesses operate in the small-scale "unorganised" sector, where laws are simpler.

The history of tax, labour, and other regulatory regulations that have favoured small, labour-intensive businesses while discriminating against larger scale, more capital-intensive operations is what gives the Indian textile sector its distinctive structure.

The structure is also a result of India's historical focus on serving the internal consumer requirements of its primarily low-income consumers rather than those of the global market. Technical efficiency and global competitiveness have significantly increased as a result of policy reforms that started in the 1980s and extended into the 1990s, especially in the spinning industry. However, there is still a lot of room for additional reforms that can boost the effectiveness and competitiveness of India's textile, garment, and fabric-finishing industries.

Description of the problem

In the current environment of a liberalised economy, business concerns face intense rivalry. The effective administration of an organization's finances is crucial for its survival, expansion, and success. India's economic progress is based on the company type of organisation. However, commercial failure in the textile sector is now a global issue. India is not an exception. The number of textile-related company failures in India is rising daily.

It has an impact on not only the business, people who work there, and those who do business with it, but also on business in general, the nation's economy, and those who do business with it. As a result, an effort has been made to examine the liquidity, solvency, and profitability of the Indian textile sector by looking at the financial results of a few of these industries and providing a rational response to the issue.

Ideas behind study

1. To inspect the Activity position of selected textile companies.
2. To offer appropriate recommendations for Activity position of selected textile companies.

Scope of the study

"Financial Performance of Textile Companies" is important since a firm has to generate enough profit to pay its cost of capital and generate excess to expand. Finding the excess earnings is so crucial. The purpose of the study is to examine the firm's profitability, solvency situation, liquidity activities, and resource use efficiency. To assess the firm's financial situation, liquidity ratios such as the current ratio, quick ratio, etc. are created. Ratios such the gross profit ratio, net profit ratio, etc. are used to determine a company's profitability. Ratios of activity, for instance to assess a company's effectiveness, the turnover ratios of inventory and debt are utilised. Financial strength of the company was assessed through the examination of financial statements. By

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comparing this study to a company in the same sector, it offers helpful suggestions on how to improve its performance.

REVIEW OF LITERATURE

"Financial Health of the Indian Steel Companies" was studied by Dr. A.Selvaraj and H. Chandra. With reference to liquidity, leverage, activity, and profitability, the financial health of certain steel businesses was assessed using a "Z" score. Based on the aforementioned research, it was evident that small steel businesses' financial situation throughout the study period was unsatisfactory (Mean Z score = 1.65, between 1.23 and 2.99). [2] However, on average during the time, medium and big steel businesses were in a distressed state.

It demonstrates that during the research period, the financial stability of particular steel businesses was not strong. It was discovered that this may be because more debt was added to the equity mix, the rise in EBIT did not match total assets, and there was not enough surplus to cover non-operating activities. Khatik S.K, Varghese Titto Financial analysis of steel authority of India limited" states that financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to be invested in .financial analysis is just like doctor who examine the fitness of the human body. For analysis of the financial position of the SAIL, gross profit ratio, net profit and operating ratio, productivity investment and solvency ratios are calculated.[5]

RESEARCH METHODOLOGY

Research Design

Both descriptive and analytical research methodologies were employed in this study. The fundamental framework, which offers principles for the research process, includes study design. It is a road plan or blueprint for how the research is to be carried out. The procedures for data collection and analysis are specified in the research design.

Descriptive Research

The study in question is descriptive in nature; it describes the facts and traits of the population or phenomenon under investigation.

Analytical Research

Analytical study is a system of procedures and technique of analysis applied to quantitative data. This method is used in different fields in which numerical data are generated

Sample design

An established strategy for drawing a sample from a certain population is known as a sample design. It describes the method or process used to choose some sample units from which conclusions about the population are obtained.

Selection of the sample company

1. Ramesh Textiles India Pvt. Ltd. (RXT Pvt Ltd)

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2. Candor Textiles Pvt. Ltd (CT Pvt Ltd)
3. SM Tex India (SMT)
4. Prem Textiles (PT)
5. Chandni Textiles (CT)
6. Sugan Textiles (ST)
7. Swastik Industrial Textiles (SIT)
8. STI India Limited (STII)
9. Nakoda Textiles (NT)
10. Shubham Cottex Inc (SCInc)

Source of data

The majority of the secondary data used in this investigation. The study's data came from PROWESS, a database maintained by the CMIE (Centre for Monitoring Indian Economy). For the purpose of completing the study's methodology, the annual reports of the sample firms, magazines, and journals were also consulted.

Tools associated

EXCEL and SPSS software have been used to use statistical methods to examine the financial performance using ratios that are categorised under the aforementioned categories. Various statistical methods, including, are used to extract the findings from the information obtained from secondary data.

- Mean
- Standard deviation
- Coefficient of variance
- Compound annual growth rate
- Average annual growth rate

Activity position analysis of selected textile companies

The following are some of the activity ratio

Inventory turnover ratio

The inventory turnover ratio is a measure of efficiency that contrasts average inventory over time with cost of goods sold to demonstrate how well inventory is handled.

Debtor's turnover ratio

A company's ability to recover receivables, or money owed by customers, is determined by the accounts receivable turnover ratio, a financial metric. The ratio demonstrates how well a

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business utilises, administers, and collects on the short-term credit it gives to clients. The accounts receivable turnover ratio is another name for the ratio of turnover of receivables.

Table 1 Inventory turnover ratio

Source: Computed from Annual Reports of CMIE Prowess Data Note

YEAR	(RXT Pvt Ltd)	CT Pvt Ltd	SMT	PT	CT	ST	SIT	STII	NT	SCInc
2000-01	1.48	5.03	2.57	1.11	2.00	4.21	2.77	7.93	1.36	1.36
2001-02	1.30	1.59	2.03	1.47	1.68	4.05	2.70	3.04	1.22	1.22
2002-03	1.63	2.48	2.00	1.44	1.65	4.78	3.26	3.22	1.10	1.10
2003-04	2.13	1.79	2.06	1.49	1.72	4.04	3.88	3.20	1.39	1.39
2004-05	1.73	1.89	1.62	1.13	1.67	4.63	4.40	3.16	1.28	1.28
2005-06	1.79	1.51	1.43	0.74	1.71	7.10	3.73	2.64	1.71	1.71
2006-07	1.67	1.65	1.56	0.86	1.71	7.47	4.00	2.25	1.43	1.43
2007-08	1.33	1.86	1.21	0.86	1.72	6.54	4.00	2.06	1.66	1.66
2008-09	1.23	2.06	1.18	0.86	2.69	3.85	3.66	2.56	1.94	1.94
2009-10	1.17	2.30	1.16	0.53	1.19	5.49	2.65	2.75	2.67	2.67
2010-11	1.22	2.70	2.14	0.33	1.11	4.36	4.50	3.06	3.28	3.28
2011-12	0.97	2.53	2.09	0.24	1.25	3.71	4.46	3.10	3.03	3.03
2012-13	1.45	2.44	2.00	0.15	1.27	4.90	3.62	5.80	3.35	3.35
2013-14	1.39	2.66	2.27	0.12	1.30	4.83	3.08	2.06	2.82	2.82
2014-15	2.08	2.67	2.64	0.21	1.00	5.03	2.66	3.78	2.98	2.98
MIN	0.97	1.51	1.16	0.12	1.00	3.71	2.65	2.06	1.10	1.10
MAX	2.13	5.03	2.64	1.49	2.69	7.47	4.50	7.93	3.35	3.35
AVG	1.50	2.34	1.86	0.77	1.58	5.00	3.56	3.37	2.08	2.08
S.D	0.33	0.85	0.48	0.49	0.42	1.17	0.67	1.55	0.83	0.83
CV	0.22	0.36	0.26	0.64	0.27	0.23	0.19	0.46	0.40	0.40
CAGR	2.28	-4.13	0.16	-10.65	-4.52	1.19	-0.29	-4.82	5.35	5.35
AAGR	4.83	0.47	2.68	-7.28	-1.84	4.30	1.99	3.81	7.28	7.28

INTERPRETATION

The above table indicates a fluctuating trend in inventory turnover ratio of the selected companies in the textile industries during the study period. The average ratio varies from company to company. The highest average found is 5.00 in **ST** Textiles followed by 3.56 in **SIT** in, 3.37 in STII , 2.34 in CT Pvt Ltd , 2.08 in **NT and** SCInc, 1.86 in SMT, 1.58 in CT, 1.50 in RXT Pvt Ltd., 1.58 in CT , 0.77 in PT.

The highest consistency in Inventory turnover ratio is seen in SIT since its CV is 0.11. The Annual Average Growth Rate of all companies except ST, SIT, NT, STII have a positive growth. And the highest AAGR value is found in NT and SCInc in 7.28.

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Table 2 Debtor Turnover Ratio

Source: Computed from Annual Reports of CMIE Prowess Data Note

YEAR	(RXT Pvt Ltd)	CT Pvt Ltd	SMT	PT	CT	ST	SIT	STII	NT	SCInc
2000-01	2.46	5.75	2.91	5.87	5.76	4.83	5.58	12.95	12.29	1.84
2001-02	2.43	2.04	2.93	6.11	5.27	6.62	5.85	4.93	10.66	1.53
2002-03	2.50	4.05	2.76	6.52	6.07	8.16	7.54	6.20	17.41	1.28
2003-04	2.30	3.88	2.31	4.16	6.56	9.78	9.12	6.50	12.88	1.83
2004-05	1.95	4.00	2.17	3.33	7.07	12.00	9.67	8.01	10.85	5.91
2005-06	2.20	2.89	2.17	3.06	2.80	20.05	10.46	7.19	14.09	5.78
2006-07	2.37	3.41	2.23	3.46	2.29	18.74	13.65	8.72	14.81	6.18
2007-08	2.08	5.04	1.69	2.46	4.16	15.37	12.41	9.09	8.21	7.47
2008-09	2.15	4.30	1.81	2.24	4.14	9.78	12.25	8.72	5.55	7.18
2009-10	2.51	3.42	2.23	2.01	1.80	20.34	12.17	9.67	6.13	7.03
2010-11	2.93	3.10	3.69	1.22	3.24	17.21	8.49	9.67	7.03	5.42
2011-12	3.06	3.64	3.26	0.94	2.74	14.66	7.07	7.32	5.04	3.91
2012-13	4.19	4.31	3.01	0.94	3.23	14.32	7.21	13.23	5.02	4.12
2013-14	2.47	4.64	3.44	1.12	4.20	10.89	7.17	4.35	5.33	3.65
2014-15	1.94	4.55	3.54	1.13	3.25	12.57	6.88	7.80	5.82	2.80
MIN	1.94	2.04	1.69	0.94	1.80	4.83	5.58	4.35	5.02	1.28
MAX	4.19	5.75	3.69	6.52	7.07	20.34	13.65	13.23	17.41	7.47
AVG	2.50	3.94	2.68	2.97	4.17	13.02	9.04	8.29	9.41	4.40
S.D	0.56	0.92	0.64	1.94	1.63	4.79	2.61	2.50	4.14	2.19
CV	0.22	0.01	0.24	0.65	0.39	0.37	0.29	0.30	0.44	0.50
CAGR	-1.55	-1.55	1.32	-10.41	-3.74	6.59	1.40	-3.33	-4.87	2.84
AAGR	0.20	4.87	3.20	-9.34	4.19	12.58	2.77	5.88	-1.58	12.30

INTERPRETATION

The above table indicates a fluctuating trend in debtor turnover ratio of the selected companies in the textile industries during the study period. The average ratio varies from company to company.

The highest average found is 13.02 in ST followed by 9.41 in NT, 9.04 in SIT, 8.29 in STII, 9.04 in SIT, 8.29 in STII, 4.40 in SCInc, 4.17 in CT, 3.94 in CT, 2.97 in PT, 2.50 in RXT Pvt LTD. The highest consistency in debtor turnover ratio is seen in CT Pvt Ltd since its CV is 0.01. The Annual Average Growth Rate of all companies have a positive growth and the highest AAGR value is found in ST ltd in 12.58.

FINDINGS

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- **Inventory turnover ratio,** the highest average found is 5.00 in ST ltd. The highest consistency is seen in SIT since its CV is 0.11. The highest AAGR value is found in NT in 7.28.
- **Debtors turnover ratio,** the highest average found is 13.02 in ST ltd. The highest consistency is seen in SIT since its CV is 0.01. The highest AAGR value is found in ST Ltd in 12.58.

CONCLUSION

India's largest industry overall is textiles. Due to considerable technological breakthroughs, companies may now import massive machines to increase productivity. A thorough examination of ST Industries' and NT Industries' financial performance revealed that their liquidity was inadequate. The Indian textile industry has a significant impact both nationally and globally. The government is providing a range of incentives to support the expansion of the textile industry. One way it helps the Indian economy is by increasing industrial production and employment generation.

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