



Profitabilty Analysis in Textile Sector-A Case Study of Vijay Textiles

M. Yakaswamy¹, Prof. P. Krishnama Chary²

¹Research Scholar, Department of Commerce & Business Management, Kakatiya University, Warangal.

²Retired Professor, Department of Commerce & Business Management, Kakatiya University, Warangal.

Abstract

To evaluate and appraise the activities of any business, we analyze the profits and related expenditure of the business. This analysis refers to the profitability analysis. To assess the financial health of any business we do evaluate the financial performance of the business. All businesses take financial assets, which come in many forms, and use them to support business activity, which generates revenue and ultimately, profits. In its simplest definition, financial performance can refer to the effectiveness in which the business generates profits, but it also refers to much more. It is a reflection of all the elements that contribute to profitability, separately as line items, and holistically as a collective dynamic. In this paper an attempt is made to analyse the profitability in Textile sector in general and Vijay textiles in particular.

Introduction

Financial performance analysis consists of evaluation of various aspects of a business. Various stakeholders such as owners, managers, employees, customers, regulators, money lenders, investors will look at the financial performance anlysis reports keeping in view various objectives. Financial performance anlysis is done on the basis of several factors; there are multiple measures for it. The following are some of the aspects which are covered in financial performance anlysis:

- Liquidity
- Solvency
- Operating efficiency
- Profitability

Objectives of the Study

1. To understand the concept of profitability analysis
2. To analyse the profitability position in Vijay Textiles.

Period of Study

The current study is made for the period 2018-19 to 2022-23.

Data Analysis & Interpretation

Table 1: Revenue from Operations

(Rs. in Lakhs)

Year	Revenue from Operations	Annual Growth Rate (in %)
2018-19	9590.09	
2019-20	6629.99	-30.87
2020-21	2533.18	-61.79
2021-22	2592.81	2.35
2022-23	2573.02	-0.76
Average	4783.81	
Standard Deviation	3211.78	

Source: Annual Reports of the Company

From Table-1 it is clear that the highest amount with respect to revenue from operations was recorded in the year 2018-19 with Rs. 9590.09 lakhs and lowest amount was recorded in the year 2020-21 with Rs. 2533.18 lakhs. During the period of study the average revenue from operations was recorded as Rs. 4783.81 lakhs with a standard deviation of Rs.3211.78 Lakhs. The highest annual growth rate was recorded in the year 2021-22 with 2.35 per cent and lowest annual growth rate was recorded in the year 2020-21 with -61.79 per cent.

Table 2: Other Revenue

(Rs. in Lakhs)

Year	Other Revenue	Annual Growth Rate (in %)
2018-19	10.53	
2019-20	11.15	5.89
2020-21	12.13	8.79
2021-22	715.01	5794.56
2022-23	53.51	-92.52
Average	160.47	
Standard Deviation	310.54	

Source: Annual Reports of the Company

From Table-2 it is clear that the highest amount with respect to other revenue was recorded in the year 2021-22 with Rs. 715.01 lakhs and lowest amount was recorded in the year 2018-19 with Rs. 10.53 lakhs. During the period of study the average other revenue was recorded as Rs. 160.47 lakhs with a standard deviation of Rs.310.54 Lakhs. The highest annual growth rate was recorded in the year 2021-22 with 5794.56 per cent and lowest annual growth rate was recorded in the year 2022-23 with -92.52 per cent.

Table 3: Expenses

(Rs. in Lakhs)

Year	Expenses	Annual Growth Rate (in %)
2018-19	9375.72	
2019-20	7093.54	-24.34
2020-21	6089.4	-14.16
2021-22	1454.53	-76.11
2022-23	2148.91	47.74
Average	5232.42	
Standard Deviation	3359.52	

Source: Annual Reports of the Company

From Table-3 it is clear that the highest amount with respect to expenses was recorded in the year 2018-19 with Rs. 9375.72 lakhs and lowest amount was recorded in the year 2021-22 with Rs. 1454.53 lakhs. During the period of study the average expenses was recorded as Rs. 5232.42 lakhs with a standard deviation of Rs.3359.52 Lakhs. The highest annual growth rate was recorded in the year 2022-23 with 47.74 per cent and lowest annual growth rate was recorded in the year 2021-22 with -76.11 per cent.

Table 4: Profit before Tax

(Rs. in Lakhs)

Year	Profit Before Tax	Annual Growth Rate (in %)
2018-19	214.37	
2019-20	-463.55	-316.24
2020-21	-3556.22	-667.17
2021-22	423.27	111.90
2022-23	370.6	-12.44
Average	-602.31	
Standard Deviation	1688.95	

Source: Annual Reports of the Company

From Table-4 it is clear that the highest amount with respect to profit before tax was recorded in the year 2021-22 with Rs. 423.27 lakhs and lowest amount was recorded in the year 2020-21 with Rs. -3556.22 lakhs. During the period of study the average profit before tax was recorded as Rs. -602.31 lakhs with a standard deviation of Rs.1688.95 Lakhs. The highest annual growth rate was recorded in the year 2021-22 with 111.90 per cent and lowest annual growth rate was recorded in the year 2020-21 with -667.17 per cent.

Table 5: Tax

(Rs. in Lakhs)

Year	Profit Before Tax	Annual Growth Rate (in %)
2018-19	49.56	
2019-20	0	-100.00
2020-21	0	0.00
2021-22	490.21	0.00
2022-23	253.41	-48.31
Average	158.64	
Standard Deviation	212.81	

Source: Annual Reports of the Company

From Table-5 it is clear that the highest amount with respect to tax was recorded in the year 2021-22 with Rs. 490.21 lakhs and lowest amount was recorded in the year 2020-21 and 2019-20 with nil amountg. During the period of study the average tax was recorded as Rs. 158.64 lakhs with a standard deviation of Rs.212.81 Lakhs. The highest annual growth rate was recorded in the year 2021-22 with -48.31 per cent and lowest annual growth rate was recorded in the year 2019-20 with -100 per cent.

Table 6: Profit before Tax

➤ (Rs. in Lakhs)

Year	Profit Before Tax	Annual Growth Rate (in %)
2018-19	301.48	
2019-20	-576.26	-291.14
2020-21	-2395.96	-515.78
2021-22	-1151.4	51.94
2022-23	-652.52	43.33
Average	-894.93	
Standard Deviation	988.76	

Source: Annual Reports of the Company

From Table-6 it is clear that the highest amount with respect to profit after tax was recorded in the year 2018-19 with Rs. 301.48 lakhs and lowest amount was recorded in the year 2020-21 with Rs. -2395.96 lakhs. During the period of study the average profit after tax was recorded as Rs. -894.93 lakhs with a standard deviation of Rs. 988.76 Lakhs. The highest annual growth rate was recorded in the year 2021-22 with 51.94 per cent and lowest annual growth rate was recorded in the year 2020-21 with -515.78 per cent.

Conclusion

During the initial period of study, the company achieved profits, later on profits started decreasing, and Covid-19 may be the reason for loss of the company. The company also reduced its expenses accordingly which is a good sign for the company. Later on, the company's financial position is good. The practices followed by the company are equally good.

References

- Khan, M.Y, Jain P.K, Financial Management: Texts & Problems: TMH (8th Edition), 2018.
- Rustagi, R.P, Galgotia, Financial Management: Theory, Concepts and Problems (6th edition), 2018, Taxmann's Publication.
- Garg Gaurav, Kothari C R, Research Methodology methods and techniques (3rd edition), New Age International Publishers, Jan 2014.
- Abolfazl Gozal Reyhani. (2012). The Investigation of Effect of Assets Structure on Performance of Accepted Companies of Tehran Stock Exchange (TSE). Journal of Basic and Applied Scientific Research, 2 (2), ISSN 2090-4304, 1086-1090.
- Chaudhuri, Atanu; Koudal, Peter; Seshadri, Sridhar; (2010). Productivity and Capital Investments: An Empirical Study of three Manufacturing industries in India. IIMB Management Review, 65-79.
- Dr. Pratibha S. Gaikwad. (n.d.). Financial Management Practices and its Effects on Profitability: A Study on Business Enterprise in Pune City. Chronicle of the Neville Wadia Institute of Management Studies and Research, ISSN 2230-9667, 234-238.