

ANALYSIS OF FINANCIAL VIABILITY OF TEXTILE SME (ANIRUDH TEXCHEM PVT. LTD.) IN RAJASTHAN

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ABSTRACT

The textile sector has been instrumental in the expansion of the economy and has made significant contribution. In addition to this, it gives millions of individuals in India the opportunity to earn a living. The purpose of the current study is to investigate the profitability and productivity levels of specific business operating within the textile sector in Rajasthan over the course of five years. In addition, a particular concentration has been placed on the reliability aspect of the profit-making potential of the organisation that have been chosen.

KEYWORDS: *textile sector, Profitability and Productivity, Financial Viability, Profit-Making Potential.*

Introduction

Small and medium enterprises have been accepted as the engine of economic growth small scale and medium enterprises play vital role in restricting in transformation in economy because they provide large scale employment. In this we study about textile industry in Rajasthan. It is comparative study of unit of textile like Anirudh Texchem Private Limited. As we know India is worldwide for the production of textile. The textile industry in India contribute to a whopping 63% of the global garments and textile market. The state of Rajasthan has deeply rooted tradition for textiles 69 out of 892 spinning mills in India are located in Bhilwara district Rajasthan which consist of weaving, spinning, dyeing , processing and printing units. There is about 500 synthetic textile units in outskirts of Bhilwara. The study of financial viability or efficiency is necessary for SMEs (textile industries) to understand its strength and weaknesses to know the risk and rewards and to find out what changes to make to achieve higher returns and if possible with less risk.

Objective of the Study

- To study about the financial position of selected textile industry in term of different financial parameters.
- To study the efficiency and solvency position of given unit.
- To study the financial viability of given unit on the basis of ratio analysis.

Tools Used

This study is based on secondary data. "Financial analysis tools such as ratios, comparative statement, common size statements and solvency and profitability ratios are also used in this study. Ratios relating to sales liquidity, profit and loss account, growth, payout and stability are calculated and analyzed"

Period of Study

The data collected for this research work is limited to five years that is from (2015-2020)

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Comparative Income Statement Analysis of Anirudh Texchem Pvt. Ltd. For The Year Ended 2016-2017**Table 1****(Amount in Rs.)**

Particulars	2016	2017	Increase / Decrease	% Increase/ Decrease
Sales	21,76,13,699	21,12,02,895	-64,10,804	-2.95%
Other Income	1,26,873	1,05,370	-21,503	-16.95%
Total Revenue	21,77,40,572	21,13,08,265	-64,32,307	-2.95%
Cost of materials consumed	-----	90,30,128	90,30,128	-----
Increase/Decrease in inventories	15,32,804	7,94,569	-7,38,235	-48.16%
Purchase of stock in trade	19,41,02,707	18,19,12,805	-1,21,89,902	-6.28%
Employee benefit expenses	38,18,524	44,48,129	6,29,605	16.49%
Manufacturing expenses	68,77,397	54,86,722	-13,90,675	-20.22%
Financial cost	65,66,690	54,30,164	-11,36,526	-17.31%
Other expenses	4,02,301	12,74,166	8,71,865	216.72%
Depreciation for the year	31,89,338	27,02,028	-4,87,310	-15.28%
Total Expenses	21,64,89,761	21,10,78,711	-54,11,050	-2.50%
Net Profit Before Tax	12,50,811	2,29,554	-10,21,257	-81.65%
Less: Provision for Tax	4,78,935	71,462	-4,07,473	-85.08%
Net Profit after Tax	7,71,876	1,58,092	-6,13,784	-79.52%

Source: Financial Statements of Anirudh Texchem Pvt. Ltd for the year 2015-16

From the above table of Comparative Income Statement Analysis for the year ended 2016-2017, it can be seen that there is a decline in sales, as indicated and resulted in a decrease in total income of Rs.64,32,307, or 2.95 percent, for the period under consideration. It shows that the amount of material being eaten has increased. Profit before tax has also reduced to 81.65 percent because of lower sales during the fiscal year 2016-2017, according to the financial statement.

Increased expenses have resulted in a loss in net profit after tax of Rs.6,13,784, or 79.52 percent, as a result of the increase in expenses. There is a huge fluctuation in the rate of decrease in reserves and surplus also. This shows that company was not effectively utilizing its reserves and surplus, hence, the income statement's overall position suggests that the company is in a bad financial situation.

Comparative income statement analysis of Anirudh Texchem Pvt. Ltd for the year ended 2017-2018**Table 2****(Amount in Rs.)**

Particulars	2017	2018	Increase / Decrease	% Increase/ Decrease
Sales	21,12,02,895	19,98,40,682	-1,13,62,213	-5.38%
Other Income	1,05,370	88,508	-16,862	-16.00%
Total Revenue	21,13,08,265	19,99,29,190	-1,13,79,075	-5.39%
Cost of materials consumed	90,30,128	35,97,341	-54,32,787	-60.16%
Increase/Decrease in inventories	7,94,569	(5,15,109)	-13,09,678	-164.83%
Purchase of stock in trade	18,19,12,805	17,78,75,068	-40,37,737	-2.22%
Employee benefit expenses	44,48,129	53,91,552	9,43,423	21.21%
Manufacturing expenses	54,86,722	53,78,088	-1,08,634	-1.98%
Financial cost	54,30,164	46,45,073	-7,85,091	-14.46%
Other expenses	12,74,166	7,79,548	-4,94,618	-38.82%
Depreciation for the year	27,02,028	25,19,087	-1,82,941	-6.77%
Total Expenses	21,10,78,711	19,96,70,648	-1,14,08,063	-5.40%
Net Profit Before Tax	2,29,554	2,58,542	28,988	12.63%
Less: Provision for Tax	71,462	6,776	-64,686	-90.52%
Net Profit after Tax	1,58,092	2,51,766	93,674	59.25%

Source: financial statement of Anirudh Texchem Pvt. Ltd for the year 2017-2018

A decline in sales, as indicated by the statement, resulted in a decrease in total income of Rs.1,13,79,075 (or 5.39 percent) for the period under consideration. It implies that the amount of material consumed has decreased. Profit before tax has climbed to 12.63 percent, while profit after tax has increased to 59.25 percent for the fiscal year 2017-2018, according to the data released by the company. While the overall position of the income statement suggests a little more favourable scenario than in the previous year, there is some room for improvement.

Comparative income statement analysis of Anirudh Texchem Pvt. Ltd. for the year ended 2018-2019

Table 3

(Amount in Rs.)

Particulars	2018	2019	Increase / Decrease	% Increase/ Decrease
Sales	19,98,40,682	16,79,21,776	-3,19,18,906	-15.97%
Other Income	88,508	1,05,213	16,705	18.87%
Total Revenue	19,99,29,190	16,80,26,989	-3,19,02,201	-15.95%
Cost of materials consumed	35,97,341	39,42,641	3,45,300	9.60%
Increase/Decrease in inventories	(5,15,109)	15,79,301	20,94,410	406.60%
Purchase of stock in trade	17,78,75,068	14,46,70,569	-3,32,04,499	-18.66%
Employee benefit expenses	53,91,552	57,00,877	3,09,325	5.74%
Manufacturing expenses	53,78,088	54,65,980	87,892	1.63%
Financial cost	46,45,073	30,04,916	-16,40,157	-35.31%
Other expenses	7,79,548	8,95,467	1,15,919	14.87%
Depreciation for the year	25,19,087	24,87,477	-31,610	-1.25%
Total Expenses	19,96,70,648	16,77,47,228	-3,19,23,420	-15.99%
Net Profit Before Tax	2,58,542	2,79,761	21,219	8.21%
Less: Provision for Tax	6,776	-86,060	-92,836	1370.07%
Net Profit after Tax	2,51,766	3,65,821	1,14,055	45.30%

Source: financial statement of Anirudh texchemPvt. Ltd for the year 2018-2019

According to the financial statement a drop in sales resulted in a reduction of Rs.3,19,02,201 in total income, or 15.95 percent. A 9.60 percent increase in the amount of materials consumed is shown. Expenses decreased in 2018-2019, resulting in an 8.21% increase in profit before taxes. The company's net profit after tax increased by Rs1,14,055 (45.30 percent) as a result of tighter control over expenses. Overall, the income statement shows a positive picture.

Comparative income statement analysis of Anirudh Texchem Pvt. Ltd. for the year ended 2019-2020

Table 4

(Amount in Rs.)

Particulars	2019	2020	Increase/ Decrease	%Increase/ Decrease
Sales	16,79,21,776	17,24,64,930	45,43,154	2.71%
Other Income	1,05,213	49,109	-56,104	-53.32%
Total Revenue	16,80,26,989	17,25,14,039	44,87,050	2.67%
Cost of materials consumed	39,42,641	7,05,971	-32,36,670	-82.09%
Increase/Decrease in inventories	15,79,301	1,16,383	-14,62,918	-92.63%
Purchase of stock in trade	14,46,70,569	15,38,30,000	91,59,431	6.33%
Employee benefit expenses	57,00,877	62,86,571	5,85,694	10.27%
Manufacturing expenses	54,65,980	51,78,263	-2,87,717	-5.26%
Financial cost	30,04,916	28,68,515	-1,36,401	-4.54%
Other expenses	8,95,467	7,61,274	-1,34,193	-14.99%
Depreciation for the year	24,87,477	24,85,191	-2,286	-0.092%
Total Expenses	16,77,47,228	17,22,32,168	44,84,940	2.67%
Net Profit Before Tax	2,79,761	2,81,871	2,110	0.75%
Less: Provision for Tax	-86,060	-1,50,114	-236174	274.43%
Net Profit after Tax	3,65,821	4,31,985	66,164	18.09%

Source: financial statement of Anirudh Texchem Pvt. Ltd for the year 2019-2020

According to the financial statement sales increased by 2.67 percent, resulting in an increase in total revenue of Rs 44, 87, and 050. It also shows a 2.67 percent rise in total expenses. It shows a 0.75 percent rise in profit before tax and an 18.09 percent rise in profit after tax in 2019-2020. As can be seen from the income statement, overall things are looking up.

Financial Viability Analysis of Anirudh Texchem Private Limited

Current Ratio of Anirudh Texchem Pvt. Ltd. (From 2015-16 to 2019-20)

Table 5

(Amount in Rs.)

Year	Current Assets	Current Liabilities	Ratio
2015-2016	6,61,27,988	5,09,36,376	1.30
2016-2017	6,89,99,458	4,57,74,984	1.51
2017-2018	7,18,80,651	4,55,42,328	1.58
2018-2019	8,00,04,424	4,91,89,189	1.63
2019-2020	7,43,02,025	4,05,92,949	1.83

Source: scholar's own computation on the basis of financial statement

The table below illustrates the current ratio over a five-year period, from 2015-16 to 2019-20. A 2:1 current ratio is optimal. However, it was noted in the preceding research that the company was unable to maintain the optimal level. Although the ratio has been greater than one for all years, the company's present ratio is not sufficient.

Quick Ratio of Anirudh Texchem Pvt. Ltd. (From 2015-16 to 2019-20)

Table 6

(Amount in Rs.)

Year	Quick Assets	Current Liabilities	Ratio
2015-2016	1,59,06,186	5,09,36,376	0.31
2016-2017	2,21,83,663	4,57,74,984	0.48
2017-2018	2,29,01,805	4,55,42,328	0.50
2018-2019	2,88,81,214	4,91,89,189	0.59
2019-2020	2,40,58,169	4,05,92,949	0.59

Source: scholar's own computation on the basis of financial statement

It is deduced from the table that the quick ratio analysis exhibited an increasing tendency through the time of investigation. It was 0.31 in 2015-2016 and it grew to 0.59 in 2019-2020. Liquidity position of the firm is not sufficient, as the ideal quick ratio is 1:1. However, in this instance the quick ratio is less than 1 which suggests the organization has no liquid assets to fulfill its current liabilities and should be approached with caution.

Debt Equity Ratio of Anirudh Texchem Pvt. Ltd.

(From 2015-16 to 2019-20)

Table 7

(Rs.in lakh)

Year	Debt	Equity	Ratio
2015-2016	184.78	267.75	0.69
2016-2017	191.38	269.33	0.71
2017-2018	194.81	271.85	0.72
2018-2019	210.05	275.51	0.76
2019-2020	211.30	279.83	0.76

Source: scholar's own computation on the basis of financial statement

The debt-equity ratio is shown in the table for the years 2015–2016 through 2019–2020. When contrasted to the firm's debts, it is obvious that the company has a significant degree of equity content; the company's long-term solvency position is strong. A debt ratio below one indicates that the company has less than Rs. 1 of obligations for every Rs. 1 of assets, indicating that it is theoretically "solvent." When the debt-to-equity ratio is less than one, it means the owners have committed the remaining funds to purchase the company's assets.

Proprietary ratio of Anirudh Texchem Pvt. Ltd.
(From 2015-16 to 2019-20)

Table 8

(Rs. in Lakh)

Year	Shareholder Fund	Total Tangible Assets	Ratio
2015-2016	267.75	661.28	.405
2016-2017	269.33	689.99	.390
2017-2018	271.85	718.81	.378
2018-2019	275.51	800.04	.344
2019-2020	279.83	743.02	.377

Source: scholar's own computation on the basis of financial statements

During the years 2015-16 to 2018-19, the proprietary ratio showed a downward tendency, but it subsequently increased to 0.377 in the following year. It is undeniable that the majority of the profits are used to acquire tangible assets for the benefit of the corporation. The funds held by the proprietors account for a large share of the overall tangible assets.

Gross Profit Ratio of Anirudh Texchem Pvt. Ltd. (from 2015-2016 to 2019-2020)

Table 9

(Amount in Rs.)

Year	Gross Profit	Sales	Ratio
2015-2016	771876	217613699	0.354
2016-2017	158092	211202895	0.0748
2017-2018	251766	199840682	0.1259
2018-2019	365821	167921776	0.218
2019-2020	431985	172464930	0.251

Source: scholar's own computation on the basis of financial statement

The Gross Profit Ratio of the company has shown a shifting tendency throughout time and is currently extremely low. The gross profit ratio in 2015-2016 was 0.354 percent, and it dropped to 0.251 percent in 2019-2020, according to the data. The profitability ratio should be higher in order for the business to operate smoothly.

Return on Investment (ROI) of Anirudh Texchem Pvt. Ltd. (from 2015-2016 to 2019-2020)

Table 10

(Amount in %)

Operating Profit	Capital Employed	Ratio (%)
12,50,811	4,52,53,471	2.76
2,29,554	4,60,71,179	0.50
2,58,542	4,66,65,942	0.55
2,79,761	4,85,55,377	0.58
2,81,871	4,91,12,720	0.57

Source: scholar's own computation on the basis of financial statements

Return on investment (ROI) over the five-year period from 2015-2016 to 2019-2020 is depicted in the following table. The rate of return on investment has fluctuated over the years in a cyclical fashion. After reaching 2.76 percent in 2015-2016, the return on investment has dropped to 0.57 percent in 2019-2020, according to the latest available data. This demonstrates the effectiveness of the company's operations.

Expenses Ratio of Anirudh Texchem Pvt. Ltd. (from 2015-2016 to 2019-2020)

Table 11

(Amount in %)

Year	Expenses	Sales	Ratio (%)
2015-2016	21,64,89,761	21,76,13,699	99.48
2016-2017	21,10,78,711	21,12,02,895	99.94
2017-2018	19,96,70,648	19,98,40,682	99.91
2018-2019	16,77,47,228	16,79,21,776	99.89
2019-2020	17,22,32,168	17,24,64,930	99.87

Source: scholar's own computation on the basis of financial statements

Net Profit Ratio of Anirudh Texchem Pvt. Ltd. (from year 2015-2016 to 2019-2020)**Table 12****(Amount in %)**

Year	Net Profit	Sales	Ratio (%)
2015-2016	7,71,876	21,76,13,699	0.35%
2016-2017	1,58,092	21,12,02,895	0.07%
2017-2018	2,51,766	19,98,40,682	0.12%
2018-2019	3,65,821	16,79,21,776	0.21%
2019-2020	4,31,985	17,24,64,930	0.25%

Source: scholar's own computation on the basis of financial statements

It is easy to see how the Net Profit Ratio has changed over the course of five years, from 2015-2016 to 2019-2020, in the following table: The ratio exhibits a changing tendency and is extremely low in comparison. In 2015-2016, it was 0.35 percent, and it will be 0.25 percent in 2019-2020, according to the data.

Conclusion

- **“Comparative Income Statement Analysis for the year ended 2016-2017”**

Increased expenses have led to a net loss of Rs.6, 13,784, or 79.52 percent, in net profit after tax. The income statement's overall position reveals that the company is in a negative financial situation because this shows that the company was not successfully utilising its reserves and excess. As a result, the company's entire financial position is reflected in its income statement, which indicates that the company is in a precarious financial position.

- **“Comparative income statement analysis for the year ended 2017-2018”**

According to data given by the corporation, earnings before tax has risen to 12.63 percent and profit after tax has risen to 59.25 percent for the fiscal year 2017-2018. Although the company's income statement appears to be improving, there is still opportunity for improvement.

- **“Comparative income statement analysis for the year ended 2018-2019”**

It was found that company's net profit after tax increased by 45.30 % as a result of tighter control over expenses. Overall, the income statement shows a positive picture.

- **“Comparative income statement analysis for the year ended 2019-2020”**

The findings shown that a 0.75 %t rise in profit before tax and an 18.09 percent rise in profit after tax in 2019-2020.

Limitations of the Study

- In this study, which is completely analytical in nature, the data is derived from the annual reports of the corporations that have been made public, as well as records kept by statistics officials.
- The researcher conducted the investigation for a period of only five years.
- Only one textile firms are included in the research.

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