

**CORPORATE AND FINANCIAL STRATEGIES OF VARDHMAN
TEXTILES LTD- A LISTED TEXTILE COMPANY OF PUNJAB**

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ABSTRACT

Powerful strategies attribute towards the financial success of any company. Long term financial strategy makes the success of corporate world today as it showcase the planning and work-culture being practiced by the respective companies with respect to their competitors. Present study relates and refers to the financial strategies of Vardhman Textiles Ltd through analysis of their financial data for 10 years (1999-2010). Main objective of the study is to assess their performance through analytical financial tools that can provide an insight to the financial competence of the company and help understand the strengths and weaknesses pertaining to their financial strategies.

Keywords- Strategies, expansion, cost, sales, production, value chain, shareholders value, market price, and interest cost G3, G30, G31, G32

INTRODUCTION

Strategy is the field of study which has developed considerably in last three decades. Modern day corporate firms have accessed the highly competitive environment and possess critical knowledge to generate competitive edge on to its peers so as to fight the threats of being losing market share (Masanell & Ricart, 2009). The basic aim of any company is to add value to the stake of the shareholders. Shareholders value represents the market value of a Company and the investors' confidence or perception about the company with respect to its peer group (Rappaport, 1998).

The Vardhman Group, which was born in 1973 in Ludhiana, under the entrepreneurship of Late Lala Rattan Chand Oswal has today blossomed into one of the largest Textile Business

houses in India. Its present capacity has multiplied to over 10 lacs as compare to its initial capacity of 10,000 spindles. The focus of the company remained to enrich and delight their stakeholders by taking various initiatives like increasing capacity, enhancing quality, products and market. Presently, the group market its product across 58 countries. Product portfolio of Vardhman Textiles Ltd includes Yarn, Fabric, fibre and processed fabric. The company has employee strength of about 26,000, and total assets of ₹ 688,018.68 lacs in the year 2013-14. (Based on Annual Report of Vardhman Textiles Ltd, 2013-2014).

With the formation of WTO, followed by inclusion of Textile Industry under WTO regime, there have been drastic changes in the policies between 1999 to 2010 period, pertaining to Textile Industry in India. The Industry has become far more competitive and challenging. The current study of corporate & financial strategies of Vardhman Textiles Ltd offers opportunity for analysis of current policies and planning for future policy formulation.

OBJECTIVES OF THE STUDY

- To study the growth of Vardhman Textiles Ltd
- To analyze the Corporate Strategies of Vardhman Textiles Ltd
- To examine the Financial Strategies followed by Vardhman Textiles Ltd
- To evaluate the impact of Financial Strategies on the performance of the Selected Company

HYPOTHESIS

For the purpose of study, following hypothesis is set

HA1- There is a significant relationship between equity market value of Vardhman Textiles Ltd and ROE and EPS together.

HA2- There is a significant relationship between equity market value of Vardhman Textiles Ltd and ROE separately.

HA3- There is a significant relationship between equity market value of Vardhman Textiles Ltd and EPS separately.

RESEARCH METHODOLOGY

Research Design

The research design for this study is descriptive in nature i.e. it provides the description of Financial and Corporate strategies, undertaken by M/s Vardhman Textiles Ltd. The information required to undertake the present study is definite and the research is pre-arranged and pre-planned.

Data Collection

Secondary data pertaining to the time period 1999-2010 is used to achieve the objectives of the study. Secondary data for the present study is obtained from various publications, data bases and Annual Reports of the companies.

Tools of Analysis

Corporate and Financial strategies are undertaken by the companies to maximise shareholders wealth, which revolves around maximising market price of the company. Further, Market price of the company is dependent on ROA and ROE. So, to test and validate the relationship between market price and, ROA ROE, tools of correlation and regression are used in the study.

RESULTS AND DISCUSSIONS

Financial health of Vardhman Textiles Ltd in the last ten years

The performance of Vardhman Textiles Ltd in the last ten years has witnessed a tremendous growth. Net sales has increased from ₹ 62,149 Lacs in 1999 to ₹ 274,295 Lacs in 2010, with the correspondence increase in net profit after taxes from ₹ 4,971 Lacs in 1999 to Rs 21,376 Lacs in 2010 (Figure-1)

Figure-1: Net sales and profits of Vardhman Textiles Ltd (in lacs)



Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

1. Return on Assets (ROA)

ROA suggests how efficiently a company is using its assets (Kupiec & Lee, 2012). Higher the ROA ratio, the better it is (Damodaran, 2007). Figure-2 highlights ROA of Vardhman Textiles Ltd for the last years, whereas factors affecting ROA are shown in Table-1.

Table-1: Factors effecting ROA and ROE

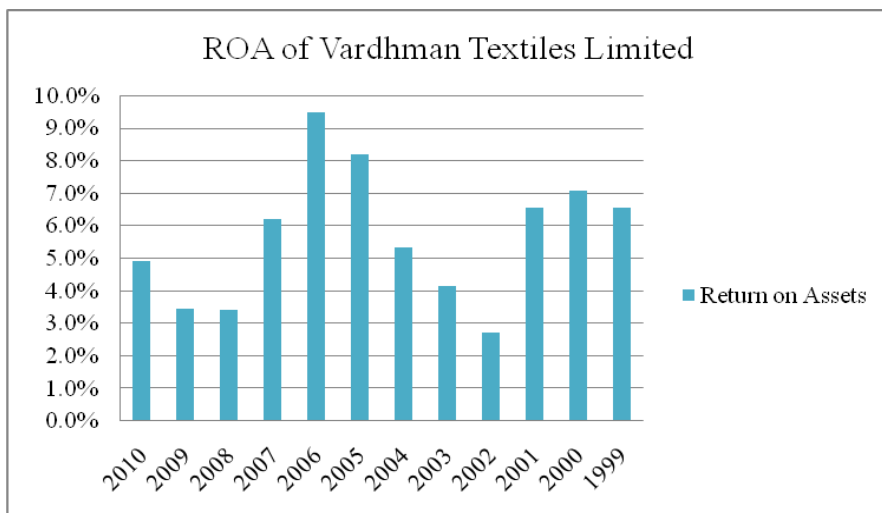
YEAR	RETURN ON ASSETS IN %AGE	PAT (in lacs)	/UNIT SP OF YARN IN □	/UNIT COTTON COST IN □	AVERAGE INTEREST RATE IN %AGE	□ VALUATION AGAINST \$	Other Income	Personnel Cost
2010	4.9%	21376	162	69	3%	45	5497	16488
2009	3.5%	14077	153	64	4%	46	3353	15315
2008	3.4%	12254	149	62	3%	50	2298	15527
2007	6.2%	17170	153	55	3%	39	3403	12706
2006	9.5%	19632	142	51	4%	45	4843	11017
2005	8.2%	12076	150	54	9%	46	2725	9962
2004	5.3%	6016	144	61	8%	44	1430	5496
2003	4.2%	4252	138	53	9%	46	1413	4955
2002	2.7%	2541	142	59	10%	48	843	4590
2001	6.6%	5864	193	56	12%	48	1301	4388

2000	7.1%	5739	139	56	13%	47	770	4061
1999	6.5%	4971	129	60	13%	43	814	3607

Source: Annual reports of Vardhman Textiles Ltd (1999- 2010)

ROA of Vardhman Textiles Ltd has been fluctuating over ten years. It increased in the year 2000 from the year 1999. Thereafter, it declined in the subsequent years till 2002. It was the lowest in the year 2002. Thereafter it showed increasing trend till the year 2006. It was the highest in the year 2006. Thenceforth it fell in the year 2007 to 2009. Finally ROA recovered in the year 2010. ROA increased from 6.5 percent in 1999 to 7.1 percent in 2000 (Appendix, Table-3). The logic appears behind increase in ROA is increase in Production of yarn due to first full year production at third 100% EOU at Mandideep and productivity improvement (Table-3). Further there was a correspondence increase in sales and Profit after tax (PAT) (Figure-1) and decline in the price of cotton from ₹60 to ₹56 in the year 1999 and 2000 respectively (Table-1). Thence forward dip in ROA to 2.7 percent in 2002 from 7.1 percent (Appendix, Table-3) in 2000 is due to significant decline in PAT from ₹5739 to ₹2541 in 2000 and 2002 respectively. Further year 2002 witnessed acceleration in cotton prices (Table-1) and fall in the sales of sewing

Figure-2: ROA of Vardhman Textiles Ltd (in percentage)



Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

thread due to contraction in garment exports from India due to the entry of local competitor (Table-5). Subsequently ROA showed improving trends. It started increasing after 2002 and increased every year till 2006. It was the highest in 2006 i.e 9.5 percent (Figure-2). The logic

behind the same appears to be increase in production of yarn, sewing thread and fabric (Table-3). Further cotton price declined significantly to ₹51/unit, marking a record of least price between the year 1999 and 2010 (Table-1). In addition, other reasons appears to be the depreciation of rupee against dollar, significant decline in the average interest rates from 9% to 4% due to international financing and apparent acceleration in other incomes (Table-1). Thereafter due to global recession the ROA dropped sharply from 9.5 percent in 2006 to 3.4 percent in 2008 (Figure-2). As per the research conducted by (JCR-VIS, 2010), demand for garments and textiles fell considerably in the year 2007 to 2009 due to recession, especially in USA, Japan and Europe. Rupee appreciated against dollar. Furthermore, selling price of yarn raised from ₹142 in 2006 to ₹149 in 2008, whereas the cost price of cotton rose from ₹51 in 2006 to ₹ 62 in 2008 (Table-1). In extension to the same, there was a prominent increase in the personnel cost and manufacturing cost (Appendix, Table-2). In 2010, the ROA again jumped to the 4.9 percent. Such jump was due to recovery in demand which can be seen increase in selling price of yarn ₹ 149 to ₹ 162, and outstanding increase in PAT (Appendix, Table-2).

2. Return on capital employed (ROCE)

The ROCE indicates the efficiency and ability of the company to accomplish profitability from its capital investments (Singh & Yadav, 2013). Figure-3 displays ROCE of Vardhman Textiles Ltd in the last ten years and Table-2 explains factors effecting ROCE. Capital employed (Table-2) of the company is increasing year after year, so the reason behind fluctuating ROCE, is swinging EBIT (Table-2).

Table -2: Factors effecting ROCE

YEAR	Average capital employed (in lacs)	%age change in capital employed	EBIT	%age change in EBIT	ROCE in %age
2010	410949	7	38741	178	9%
2009	382464	16	13935	-47	4%
2008	330737	31	26304	-5	8%
2007	253372	33	27569	-8	11%
2006	190092	40	29888	4	16%

2005	135871	33	28614	112	21%
2004	102176	11	13498	17	13%
2003	91888	7	11502	41	13%
2002	85791	5	8174	-37	10%
2001	81760	11	12903	6	16%
2000	73862	7	12166	16	16%
1999	69200		10456		15%

Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

ROCE of Vardhman Textiles Ltd has shown lots of ups and downs in the last 10 years. It rose in 2000, followed by a fall in the subsequent years till 2002, chased by tremendous increase in 2003 till 2005 where it was maximum. Latterly, it fell in 2006 to 2009, followed by its recovery in 2010. ROCE increased from 15 percent in 1999 to 16 percent in 2000 due to more increase in EBIT as compare to Capital employed (Table-2). Such gain in EBIT is due to increase in sales and increase in production of yarn. (Appendix, Table-4). 2002 witnessed decline in ROCE due to fact that the company was not able to generate profits in commensurate with the capital investments (Appendix, Table- 1). Cotton prices raised (Table-1) and sales of sewing thread fell. In 2005, there was a jump in ROCE from 10 percent to 21 percent (Figure-3).

Figure-3: ROCE (in percentage)



Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

The logic behind the same appears to be the increase in sales by 67 percent and other income by 91 percent (Appendix, Table-4). In 2005, the company acquired the raw material at

₹54/unit. In addition, a new product was added in the existing product line i.e Fabric. Afterwards, the ROCE started showing decreasing trends till 2009 where it was the least i.e 4 percent (Appendix, Table- 3). EBIT fell by 47 percent as compare to increase in capital employed by 16 percent (Table-2). In 2009, owing to augmentation in depreciation by 34 percent, cost of goods sold boosted by 13 percent as compared to sales, which boosted by just 6 percent (Appendix, Table-3). Further upsurge of financial cost by 1% added one more reason for EBIT to fall. As per the research conducted by (JCR-VIS, 2010), demand for garments and textiles fell considerably in the year 2007 to 2009 due to recession, especially in USA, Japan and Europe. In 2010, ROCE recovered from 4 percent to 9 percent in the year 2009 and 2010 respectively (Figure-3). Such jump was due to recovery in demand which can be seen increase in selling price of yarn ₹ 149 to ₹ 162, and outstanding increase in PAT (Appendix, Table-2). Where the sales in the year 2010 escalated by 11 percent, the cost of goods sold escalated by just 4 percent (Appendix, Table-4), hence effecting EBIT in positive way.

3. Return on Equity (ROE)

The ROE measures a capability of a corporation's to generate profit with the money shareholders have invested (Circiumaru, Siminica & Marcu, n.d). Generally, Higher ROE is taken better as the companies producing higher ROE, will produce more earnings and free cash flow. ROE of Vardhman Textiles Ltd has been fluctuating over ten years (Figure-4). It increased in the year 2000 from the year 1999. Thereafter, it declined in the subsequent years till 2002. It was the lowest in the year 2002. Thereafter it showed increasing trend till the year 2006. It was the highest in the year 2006. Thenceforth it fell in the year 2007 to 2009. Finally ROE recovered in the year 2010. ROE increased from 14 percent in 1999 to 15 percent in 2000. The logic appears behind increase in ROE is increase in Production of yarn due to first full year production at third 100% EOU at Mandideep and productivity improvement (Table-3).

Figure-4: ROE of Vardhman Textiles Ltd



Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

Further there was a correspondence increase in sales and Profit after tax (PAT) (Figure-1) and decline in the price of cotton from ₹ 60 to ₹56 in the year 1999 and 2000 respectively (Table-1). Thence forward dip in ROE to 6 percent in 2002 from 15 percent in 2000 is due to significant decline in PAT from ₹5739 to ₹2541 in 2000 and 2002 respectively. Further year 2002 witnessed acceleration in cotton prices (Table-1) and fall in the sales of sewing thread due to contraction in garment exports from India due to the entry of local competitor (Table-5). Subsequently ROE showed improving trends. It started increasing after 2002 and increased every year till 2006. It was the highest in 2006 i.e 22 percent (Figure-2). The logic behind the same appears to be increase in production of yarn, sewing thread and fabric (Table-3). Further cotton price declined significantly to ₹51/unit, marking a record of least price between the year 1999 and 2010 (Table-1). In addition, other reasons appears to be the depreciation of rupee against dollar, significant decline in the average interest rates from 9% to 4% due to international financing and apparent acceleration in other incomes (Table-1). Thereafter due to global recession the ROE dropped sharply from 22 percent in 2006 to 11 percent in 2008 (Table-1). As per the research conducted by (JCR-VIS, 2010), demand for garments and textiles fell considerably in the year 2007 to 2009 due to recession, especially in USA, Japan and Europe. Rupee appreciated against dollar. Furthermore, selling price of yarn raised from ₹142 in 2006 to ₹149 in 2008, whereas the cost price of cotton rose from ₹51 in 2006 to ₹ 62 in 2008 (Table-1). In extension to the same, there was a prominent increase in the personnel cost and manufacturing cost (Appendix, Table-2). In 2010, the ROA again jumped to the 16 percent. Such jump was due to recovery in demand which can be seen increase in selling price of yarn ₹ 149 to ₹ 162, and outstanding increase in PAT (Appendix, Table-2).

Corporate Strategy of Vardhman Textiles Ltd

As per Michael Porter (1986) “Strategy is a broad formula for how a business is going to compete, policies will be needed to carry out those goals.” In the words of Mintzberg (1994) “Strategy is a plan, a pattern, a position, a perspective”. There are three levels of strategies namely; Corporate, Business and functional (Markgraf, n.d). The Corporate strategy deals with the entire organization which specifies actions to be taken by the firm to gain a competitive advantage (Hitt, Ireland and Hoskison, 2004). The three main corporate strategies include Growth, Stability and retrenchment. Growth strategy aims at winning larger market share, even at the expense of short- term earnings, increase in sales, profits and other performance parameters (Acquaah, n.d). The corporate strategy of Vardhman Textiles Ltd limited is Growth strategy. To achieve their growth strategy, the company undertook product development, market development, expansion through foreign alliances, vertical integration, continuous addition in the capacity, improving quality, enhancing product line and thereby raising their operations. Production, sales and production capacity of the company showed tremendous growth in the last ten years (Appendix, Table-2).

Table-3: Installed capacity and Actual Production in last ten years

Installed Capacity	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Spindles Capacity	736168	683376	677456	543432	477920	468688	310296	310296	243640	213496	212568	210384
Looms	900	900	810	460	1248	528						
Production												
Sewing Thread			9467	8783	8129	6255	5697	5412	5202	5822	5199	4719
Fabric	108.49	91.52	66.08	54.25	41.47	31.51						
Yarn MT	126146	115888	98736	87476	77967	77525	47733	37727	30532	27658	28455	27584
Ingots MT	62110	53078	87976	88378	79452	80866	75219	50294	52613	48920	59069	49105
Rolling products Mt	56581	51471	80901	81537	73087	75040	68009	46324	48990	42260	54736	46597
Processed Fabric	108.49	51.35	40.67	36.53	32.62	28.47						

Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

Financial Strategy of Vardhman Textiles Ltd

In life’s battle, everything is not being won by strength, but it is by strategy (Chirgwin, 2013). The success stories of the companies revolve around sound financial strategy (Liu, 2010).

The financial strategies followed by Vardhman Textiles Ltd are increase in sales and controlling the cost by expanding markets, products and production capacity through foreign alliances, modernization of units to enable economies of scale, vertical integration to complete the value chain, foreign financing, quality improvement and increasing capacities. The group enjoys good goodwill and customer trust in the market. This goodwill and trust is built due to supply of the quality products in the market. The group maintains quality of the product through TQM, and its inventory procurement process. In 1999-2000, the company expanded the capacity of its gassed mercerized plant at Hoshiarpur to improve the quality of yarn. The group procures its major raw material i.e cotton of good quality which is available only during the season, which enables it to manufacture good quality yarn. The same is evident from the premium in selling price of its principle product i.e yarn, which it gets in the market over the selling price of yarn of other companies under study. Vardhman's yarn selling price remains maximum as compare to other listed textile companies of Punjab (Appendix, Table-7). The company always thrive to improve its productivity. As company's major portion of raw material (cotton) is agro-based and production of yarn is dependent on the quality and availability of cotton, it initiated a program to increase the quality, yield and regular supply of cotton in collaboration with the agriculture department of PAU, by the name Nava pind. It started with ten villages in 2005-2006 and covered in all 25 clusters with 5 villages in each cluster. The effect of this program is quiet apparent on production of yarn (Table-4). Before 2005-2006, there was very conservative increase in the production on yarn, but in 2005-2006, there was an acute acceleration in the production of yarn by 64%. Vardhman Textiles Ltd enjoys maximum EPS among its competitor companies (Appendix, Table-5). The reason behind the same appears to be minimum Interest and personnel cost, along with various expansion programs undertaken by Vardhman textiles limited (Appendix, Table-6 &8). The Interest rates in the case of said company under study are minimum due to high rating and non-default in the payment of loans. The other reason is the benefits enjoyed under TUFs, conservative debt ratio (Appendix, Table-9). Vardhman took its benefit in 2005-2006. During the same year, the group issued Foreign Currency Convertible Bonds of US\$ 60 million. The FCCB's were available to the Company @6% having the maturity period of 5 years and at the same could be converted at a price of Rs.423.25 over the period of five years. The group was benefitted by international financing. For such reasons, the average interest cost of the group was more competitive (Appendix, Table-8).

Table No-4 Production of yarn in last ten years

Year	Production of yarn (MT)	% increase in production over previous year
2010	126146	9%
2009	115888	17%
2008	98736	13%
2007	87476	12%
2006	77967	1%
2005	77525	62%
2004	47733	27%
2003	37727	24%
2002	30532	10%
2001	27658	-3%
2000	28455	3%
1999	27584	

Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

Vardhman has perfect system of personnel intake including ET (executive training) program. In such programs, training and development is provided to the individuals being hired by the group depending upon requirements of the job profile. The group hire the personnel at economical rates and train them as per the requirement of the job. Due to this strategy, the personnel cost of the group is minimum (Appendix, Table-6).

Expansion in the production capacities and modernization in technologies leads to economies of scale and raises the profit margins (Riley, 2012). Vertical integration is very often applied strategy to create economies of scale. Various researches have showed mixed results of Vertical integration:- positive, negative, significant and sometimes insignificant (Isaksen, Dreyer & Gronhaug, 2007). Moving ahead on the same lines, the said company endeavour to capture market worldwide through alliances, expansions and integrations (backward and forward). In 1999-2000, the group undertook backward integration by starting acrylic fibre project in collaboration with Marubeni Corporation and Japan Exlan Company limited. This strategical move was undertaken by the company to reduce raw material dependability, to smoothen the product line and to maintain uninterrupted supply of raw material. To elongate its product line, the group entered into forward integration for the manufacturing of world class shirts in 2009-2010. The joint venture was between the Vardhman textile limited and Nisshinbo Textile incorporation with the partnership of 51:49.

In a move to strengthen its market base throughout the globe, the group entered into various collaborations. One of which was with Marubeni Corporation of Japan and Toho Rayon limited of Korea in 1999-2000. Marubeni deals in all trade and has a strong marketing network. Through the built marketing network of Marubeni, the group wanted to exhibit its presence throughout the world. Such marketing network helped in the acceleration of sales.

To strengthen its competencies, the group commissioned expansion project of sewing thread at Ludhiana in 1999-2000 with the total cost of Rs. 4500 lakhs. To bolster its thread business and to serve the customer better, VTXL engaged in the licensing agreement with American & Efird Incorporation. A&E is the second global player in thread manufacturing and distribution. The impact of such agreement can be witnessed from the increase in the quantity of sales of thread and acceleration in volume of sales (Table-5).

Table-5: Quantity and Volume of sales of sewing thread

Year	Value (Lakhs)	Qt(MT)
2010		
2009		
2008	30524.11	9324
2007	29634.83	8851
2006	32281.52	8045
2005	25751.78	6370
2004	23513.15	5704
2003	23614.65	5644
2002	21359.99	5193
2001	21710.77	5420
2000	20993.52	5101
1999	18823.14	4727

Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

Such collaboration enabled VTXL to manufacture superior sewing threads under A&E's brand of Permaspun, D-core, Perma core and to distribute them in Delhi, Bangalore, Chennai and Tirupur etc. As a result of expansion strategy, the group started a new weaving unit in 2005-2006, which resulted in the addition of the looms production (Table-6).

Table-6: Production capacity of looms

Years	Looms Capacity
2010	900
2009	900

2008	810
2007	460
2006	1248
2005	528

Source: Annual Reports of Vardhman Textiles Ltd (2005-2010)

To raise capacity of spinning and processed fabrics, VTXL implemented two expansions in Madhya Pradesh (Table-7) in 2005. To keep itself sustainable in the market, Vardhman Textiles Ltd expanded its markets and product basket. It has widened its export markets which led to acceleration of exports

(Table-8). The products of Vardhman Textiles Ltd are supplied in Delhi, Bangalore, Chennai, Tirupur, Australia, Portugal, South Africa, Morocco, Tunisia, Turkey, Brazil, Russia, Bangladesh, Saudi

Table -7 Capacity of spindles and processed fabric

Year	Spindles	Processed fabric
2010	736168	108.5
2009	683376	51.35
2008	677456	40.67
2007	543432	36.53
2006	477920	32.62
2005	468688	28.47
2004	310296	
2003	310296	
2002	243640	
2001	213496	
2000	212568	
1999	210384	

Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

Arabia, Belgium, Singapore, China, Sri Lanka, Canada, Spain, Colombia, Switzerland, Egypt, Germany, Thailand, U.K, Greece, Hongkong, Ukraine, Uruguay, Indonesia, Italy, USA, Venezuela, Japan, Vietnam, S.Korea, Netherlands, Malaysia, and Mauritius. Consequently, it worked consistently in the product development which has led to surging of

sales every year (Figure-1). The product portfolio included Cotton Yarn, Organic Cotton Yarn, Fair Trade cotton Yarn, Organic Fair Trade Cotton Yarn, Ellitwist, Vortex Yarn, Slub Yarn, Acrylic Yarn, Poly -Cotton Yarn, Acrylic - Cotton yarn, Special Blended Yarn, Special Blended Yarn, Melanges, Gassed Mercerised, Modal Yarn, Tencel Yarn, Viscose Yarn, Hand Knitting Yarn, Shirting, Threads made from cotton, polyester, core spun, nylon and filaments, which are AZO free and meet OEKO Tex Standards, Acrylic Bright & Semi-dull Non shrinkable fibre, Acrylic Bright & Semi-dull Shrinkable fibre, Acrylic Tow, Specialty acrylic fibres suitable for Open end spinning.

Vardhman Textiles Ltd is driven by the corporate philosophy of continuous growth in harmony with environment and customer satisfaction. This could be the driving force behind corporate and financial strategy at Vardhman Textiles Ltd and that is growth through expansions.

Table-8: Exports of Vardhman Textiles Ltd

YEAR	EXPORTS (in lacs)
2010	70400.35
2009	62703.55
2008	45051.05
2007	43401.84
2006	36741.54
2005	41307.55
2004	27690.85
2003	23591.67
2002	19906.41
2001	22136.75
2000	26669.08
1999	20855.26

Source: Annual Reports of Vardhman Textiles Ltd (1999-2010)

CORRELATION AND REGRESSION

ROE, EPS and equity market value

Table-9: Correlation between Market price per share and Return on equity (ROE) and Earnings per share (EPS)

	Market price per share	Return on Equity	EPS
Market price per share	1	0.661*	0.773**
Return on Equity	0.661*	1	0.573
Earnings per share (EPS)	0.773**	0.573	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table-9 depicted the Correlation between Market price per share and Return on equity (ROE), and Earnings per share (EPS) of Vardhman Textiles Ltd.

Market price per share and Return of equity (ROE)

Significant and positive correlation is found with Return of equity (ROE) (r=0.661,p<0.05) at 0.05 level.

Market price per share and Earnings per share (EPS)

Significant and positive correlation was found with Earnings per share (EPS), (r=0.773,p<0.01) at 0.01 level.

Regression analysis

To predict the relationship between dependent and independent variables stepwise multiple regression is employed in the present study. Preliminary analysis of correlation, as discussed in earlier section of correlation analysis as mentioned in Table-9 reveals that there is no violations of the assumption of linearly and homoscedasticity.

The mathematical representation of research model for the above relationship is given by:

Model1: $P = a + b_1ROE + b_2EPS$

Model2: $P = a + b_1ROE$

Model3: $P = a + b_1EPS$

Where as

a= Constant

P = Market price per share

ROE= Return on Equity (ROE)

EPS = Earnings per share (EPS)

b_1, b_2 , are the coefficient of variables

Detection of the Multi-Co linearity

It is recognized that the use of all explanatory variables to predict future prospects might give rise to some of the redundant variables and multi-co linearity problems. Multi-co linearity problem is likely to occur when explanatory variables correlate with each other. Consequently the effect of each variable of the dependent variables becomes difficult to identify. Hence following statistic factors were used to do the diagnostics of multi-co linearity:

1) Variable Inflation Factors (VIF)

$VIF = 1 / (1 - R_i^2)$ is the co-efficient of the multiple determination of the regression produced by regressing the variable X_i against the other Y variables. If any VIF exceeded 10, the correspondent variable should be considered to be deleted or otherwise to use an alternative method instead of Ordinary Least Squares (OLS).

2) Tolerance value

The tolerance of an independent variable is an additional method to measure the effects of multi-co linearity in a data set. The value of the tolerance of the variable has a range from zero to one. The closer the tolerance of variable value to one indicates the independence, and if the tolerance value is close to zero, the variables are multi-co linear.

Predicted relationship between Dependent variable Market price per share and Independent variables Return of Equity (ROE) and Earnings per share (EPS) : Relation between Market price per share and Independent variables Earnings per share (EPS) is found to be significant at 0.01 level as discussed in correlation Table-9. Further to predict relationship, multiple regression method is applied. Table-10 shows the detailed model summary statistics between dependent and independent variables.

Table-10: Model summary between dependent variable i.e Market price per share and independent variables Return on equity and Earnings per share (EPS)

Model	R	R ²	Adjusted R ²	F value
1	0.82	0.69	0.60	5.37*
2	0.66	0.44	0.38	7.75*
3	0.77	0.60	0.56	14.82**

1. Dependent variable: Market price per share
2. Independent variables: Return on equity and Earnings per share
3. R² : coefficient of determination that measures the proportion of the variance in the independent variables that is explained by the dependent variable

Table-10 depicted that R² varies from 44% to 69%. Maximum variation of 69% is obtained between dependent and independent variable for Model 1, where two independent variables are taken i:e Return on equity and Earnings per share (EPS). In Model2 and Model3, one independent variable is taken. F value indicates linear relation between dependent and independent variable for Model 1to3.

Table-10: Beta coefficient of dependent variable and independent variables

Model		Beta Coefficients	Std. Error	t value	p value	Collinearity Statistics	
						Tolerance	VIF
1	Constant	-171.3	89.2	-1.92	0.09		
	ROE	10.679	7.71	1.39	0.20	0.67	1.49
	EPS	7.33	2.92	2.51	0.03*	0.67	1.49
2	Constant	-152.2	109.94	-1.38	0.20		
	ROE	21.72	7.81	2.78	0.05*	1.0	1.0
3	Constant	-78.15	61.4	-1.27	0.23		
	EPS	9.66	2.51	3.85	0.00**	1.0	1.0

**Significant at 0.01 and * Significant at 0.05 levels

Table-10 shows the beta coefficient, t value and Collinearity Statistics (Tolerance and VIF). It is observed that tolerance and VIF are within limit, which showed that data has no problem of multi-co linearity. Predicted equation for Model 1 is shown as:

$$Y = -171.3 + 10.68 \text{ ROE} + 7.33 \text{ EPS} \dots\dots\dots \text{i)}$$

From equation i, it is seen that Market price per share will increase with increase of Return of equity ($\beta=10.68$) and Earnings per share ($\beta=7.33$).

From Table 8, it is clear that EPS ($t=2.51, p<0.01$) show significant difference and ROE ($t=1.39, p>0.05$) show non-significant difference at 0.05 level of significance.

Predicted equation for Model 2 is shown as:

$$Y = -152.2 + 21.72 \text{ ROE} \dots\dots\dots \text{ii)}$$

From equation ii, it is interpreted that Market price per share will increase with increase of Return of equity ($\beta=21.72$) and found to be significant ($t=2.78, p<0.05$) at 0.05 level of significance.

Predicted equation for Model 3 is shown as:

$$Y = -78.15 + 9.66 \text{ EPS} \dots\dots\dots \text{iii)}$$

From equation ii, it is appeared that Market price per share will increase with increase of EPS ($\beta=9.66$) and found to be significant ($t=3.85, p<0.01$) at 0.01 level of significance.

The correlation between ROCE and market price of shares is +0.55, whereas the relationship between ROE and ROA with market price of shares is +0.51 and +0.62 respectively.

Regression analysis

The adjusted R^2 is 22 percent, in case of HA2. It is considered to be a higher value. So, we can accept HA2. However, in the third hypothesis, the adjusted R^2 is 32 percent with p-value .02. Hence, we can accept HA3 that there exists significant relationship between ROA and EPS. The adjusted R^2 in the case of regression between Equity market and ROE is 19 percent with p-value of 0.08. Hence, we can accept HA4 hypothesis also. The adjusted R^2 is 22 percent, in case of fifth hypothesis with p-value of 0.06. By this, HA5 is also acceptable that there exists significant relationship between ROCE and equity market value.

CONCLUSION

The corporate strategy followed by Vardhman Textiles Ltd is growth strategy. In consistent with the growth strategy, the financial strategies followed by the company under study includes increase in sales and controlling the cost by expanding markets, products and production capacity through foreign alliances, modernization of units to enable economies of scale, vertical integration to complete the value chain, foreign financing, quality improvement and increasing capacities. Although the company works years by year on its sustainability by following various cost effective policies, the ROA and ROE of the said company is comparatively lesser (Appendix, Table-9 & 10). The effect of ROA, ROE and ROCE is reflected on the market price of the company and hence the wealth maximisation (Kabajeh, Ahmed & Dahmash, 2012). Asset return strongly effects and is related to market price of the company (Seidi & Okhli, 2012). Altahtamouni & Alslehat (2014) displayed strong positive relation between ROA, ROE and stock prices. Vardhman has always been a cash rich company. In 2007-2009, during the recession, the group should have taken over some of the sick units at economical rates. This could have helped the group to expand their operations and hence EPS and ROE, which in turn would have increased the market price of share, as proved by the correlation and regression analysis undertaken in the previous section.

LIMITATION AND SCOPE FOR FURTHER RESEARCH

Due to abridged version of Annual Reports prepared by the company and such data forms the basis for the secondary data for analysis so the reliability and authentication of such data could be uncertain. Major changes in India's Textile policy took place in the period 1999-2000 such as implementation of Technology Up gradation Fund (EPCG), setting up of Cotton Technology Mission and time period of the study is taken as 10 years, but recession hit many

of the textile industries badly in 2008, 2009 and 2010. After such years many changes took place in the strategies of the company under study which are currently being adopted till date while the research is being carried out and hence leaving the future scope of research for the time period post 2009-2010.

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APPENDICES

Table-1: Balance Sheet

BALANCE SHEET (IN LAKHS)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
SOURCES OF FUNDS												
1. SHAREHOLDERS FUND												
A. CAPITAL	5,776.95	5,776.95	5,776.91	5,776.91	5,776.91	2,574.95	2,574.95	2,574.95	2,574.95	2,574.95	2,573.68	2,573.68
B.RESERVES & SURPLUS	139,808.01	121,498.08	111,436.99	103,425.95	90,389.79	76,181.16	47,479.28	42,770.00	39,629.66	42,363.25	37,607.36	33,075.84
C.EQUITY SHARE CAPITAL PENDING ALLOTMENT	145,584.96	127,275.03	117,213.90			1,276.31						
2. LOAN FUNDS												
A. SECURED LOANS	222,670.28	212,387.25	212,374.70	146,061.93	83,107.64	67,150.05	46,951.91	44,476.53	36,405.34	39,745.08	35,839.02	30,572.62
B. UNSECURED LOANS	39,409.51	36,945.04	26,748.73	26,364.61	27,114.77	7,808.12	4,788.40	2,239.84	3,273.21	318.94	2,521.25	3,033.26
	262,079.79	249,332.29	239,123.43									
3. DEFERRED TAX LIABILITY	19,638.07	17,986.97	13,996.56	9,509.93	9,215.16	9,590.00	5,366.54	-5,129.71	-4,711.45			
APPLICATION OF FUNDS												
1. FIXED ASSET												
A. GROSS BLOCK	357,101.87	335,548.43	309,649.60	210,865.79	175,985.49	148,567.55	78,283.45	77,387.32	64,091.53	59,251.71	49,813.97	43,760.83
B. LESS: DEPRECIATION	138,863.16	117,360.50	107,427.56	93,074.72	81,876.97	72,810.29	35,604.37	30,864.89	26,538.26	22,381.97	19,336.76	16,225.22

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C. NET BLOCK	218,238.71	218,187.93	202,222.04	117,791.07	94,108.52	75,757.26	42,679.08	46,522.43	37,553.27	36,869.74	30,477.21	27,535.61
D. CAPITAL WIP	4,063.16	5,878.19	32,759.79	54,071.84	9,647.74	6,450.14	893.44	106.52	1,640.04	2,397.10	1,299.19	2,452.21
2. INVESTMENTS	28,048.49	33,497.99	7,928.51	6,874.76	6,837.94	9,570.91	9,639.00	13,423.60	13,490.32	13,531.20	13,741.17	13,549.15
3. CA & LOANS & ADVANCES												
A. INVENTORIES	110,745.93	62,010.05	87,036.33	69,584.82	56,899.58	52,693.30	40,109.95	31,172.36	21,418.49	20,822.75	19,739.19	16,172.12
B. SUNDRY DEBTORS	39,733.69	27,566.78	27,469.83	25,241.09	22,204.18	20,841.73	13,156.64	9,671.39	9,307.00	8,041.38	9,843.97	7,214.57
C. CASH & BANK BALANCES	22,207.01	35,721.30	6,269.97	21,673.36	27,154.82	2,272.43	1,807.58	1,834.64	2,068.22	1,591.66	1,714.47	1,712.13
D. LOANS AND ADVANCES	30,968.30	35,874.16	32,852.32	23,300.73	18,319.85	11,647.99	7,240.53	7,596.11	8,756.06	9,621.31	9,248.78	7,322.27
A	203,654.93	161,172.29	153,628.45	139,800.00	124,578.43	87,455.45	62,314.70	50,274.50	41,549.81	40,077.10		
LESS CURRENT LIABILITES												
A. CURRENT LIABILITIES	24,828.93	23,431.83	24,655.08	27,985.13	16,356.58	12,518.48	7,144.14	11,734.33	6,782.98	6,930.70	7,310.72	5,514.02
B. PROVISIONS	1,873.54	710.28	1,549.77	-586.79	3,211.78	2,134.69	1,221.00	1,402.69	865.05	948.21	228.55	1,244.06
B	26,702.47	24,142.11	26,204.85	27,398.34	19,568.36	14,653.17	8,365.14	13,137.02	7,648.03	7,878.91	7,539.27	6,758.08
NET C.ASSETS (A-B)	176,952.46	137,030.11	127,423.60	112,401.66	105,010.07	72,802.28	53,949.56	37,137.48	33,901.78	32,198.19	33,007.14	25,663.01
MISC. EXPENDITURE												
DEVELOPMENT ACCOUNT								1.00	7.15	1.89	10.45	2.22
DEBENTURE ISSUE EXPENSE									2.05	4.10	6.15	8.20
TOTAL	427,302.82	394,594.29	370,333.89	291,139.33	215,604.27	164,580.59	107,161.08	92,061.32	81,883.16	85,002.22	78,541.31	69,255.40

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Table-2: Profit and Loss A/c

PROFIT & LOSS A/C (IN LAKH)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
PARTICULARS												
SALES(GROSS)	276,722	249,538	234,636	215,009	195,725	193,137	115,557	90,607	78,091	76,773	77,306	66,146
LESS EXCISE DUTY	2,427	4,173	5,169	6,246	6,809	8,051	7,416	5,781	4,991	5,255	5,054	3,997
SALES(NET)	274,295	245,365	229,467	208,763	188,916	185,137	108,141	84,826	73,100	71,518	72,252	62,149
OTHER INCOME	5,497	3,353	2,298	3,403	4,843	2,725	1,430	1,413	843	1,301	770	814
TOTAL	279,792	248,717	231,765	212,166	193,760	187,811	109,571	86,238	73,944	72,819	73,022	62,963
EXPENDITURE												
RAW MATERIAL CONSUMED AND PURCHASE OF FINISHED GOODS	135,721	124,502	110,252	95,855	80,207	87,992	54,278	38,443	33,500	32,866	32,122	28,720
MANUFACTURING EXPENSES AND OTHER EXPENSES	59,997	55,071	57,449	51,882	45,570	39,414	20,697	18,029	14,823	13,476	12,560	10,562
PERSONNEL EXPENSES	16,488	15,315	15,527	12,706	11,017	9,962	5,496	4,955	4,590	4,388	4,061	3,607
ADMINISTRATIVE, EXCHANGE RATE FLUCTUTATION	5,061	9,801	5,131	5,568	4,965	4,386	3,163	2,360	1,805	1,847	1,797	1,471
INTEREST AND FINANCIAL CHARGES	8,673	10,234	6,389	3,770	3,949	5,909	4,024	3,882	4,165	4,535	4,600	4,400
SELLING AND DISTRIBUTION CHARGES	8,510	8,371	9,902	10,543	14,529	13,104	9,501	9,042	7,592	7,279	7,602	6,311
(INCREASE)/DECREASE IN WIP AND FINISHED GOODS	-5,409	(1172,98)	-4,237	-2,828	-1,522	1,282	-1,550	-1,421	-516	-1,886	-110	-1,005
DIFFERNCE IN EXCISE DUTY ON STOCKS	-40	-307	-13	114	-140							
DEFFERED REVENUE EXPENSES WRITTEN OFF						53						

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MISCELLANEOUS EXPENDITURE WRITTEN OFF	0	0	0	0	0	0	0	2	2	2	2	2
DEPRECIATION AND AMORTISATION	22,088	20,732	15,456	11,945	10,134	9,701	5,678	5,117	4,328	3,547	3,399	2,973
PRIOR PERIOD ITEMS				35	-9	40	50					
TOTAL	251,090	242,546	214,867	189,589	168,700	171,844	101,336	80,408	70,289	66,054	71,088	61,039
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	28,702	6,171	16,898	22,577	25,059	15,967	8,235	5,830	3,654	6,764	6,989	5,921
LESS:- PROVISION FOR												
- CURRENT TAX	5,675	17	1,373	5,017	5,700	4,760	1,982	1,160	550	900		
- MAT CREDIT ENTITLEMENT			-1,900									
- FRINGE BENEFIT TAX		91	114	100	110							
- DEFERRED TAX	1,560	3,868	4,267	144	-100	65	439	636	563			
- DEFERRED TAX ADJUSTMENT	91	-540	297	151	-275	-907	-202	-218	563			
- INCOME TAX ADJUSTMENT FOR EARLIER YEARS				-5	-8	-27						
- PROVISION FOR INCOME TAX											1,250	950
PROFIT FROM CONTINUING OPERATIONS AFTER TAX	21,376	2,735	7,940	17,170	19,632	12,076	6,016	4,252	2,541	5,864	5,739	4,971
PROFIT FROM SALE OF DISCONTINUING OPERATIONS			4,806									
PROVISION FOR												
-CURRENT TAX			546									
-FRINGE BENEFIT TAX			21									

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- DEFERRED TAX			-75									
PROFIT FROM DISCONTINUING OPERATIONS AFTER TAX			12,254	17,170								
PROFIT FROM SALE OF DISCONTINUED OPERATIONS		14,139										
PROVISION FOR												
-CURRENT TAX		2,164										
-DEFERRED TAX		662										
- MAT CREDIT ENTITLEMENT		-29										
NET PROFIT FOR THE YEAR AFTER TAX	21,376	14,077	12,254	17,170	19,632	12,076	6,016	4,252	2,541	5,864	5,739	4,971
LESS:-DEPRECIATION ADJUSTMENTS								-1	1	-31	0	0
SURCHARGE ON CORPORATE DIVEDEND TAX											10	
ADD:-												
EXCESS PROVISION OF TAXATION WRITTEN BACK/REFUN										2	37	82
INVESTMENT ALLOWANCE RESERVE WRITTEN BACK												19
DEBENTURE REDEMPTION RESERVE WRITTEN BACK			1,000	625	625	2,125	938	2,188	3,438	938		
TRANSFERRED FROM DEBENTURE REDEMPTION RESERVE											2,814	
CORPORATE DIVIDEND TAX WRITTEN BACK	195	125										
RESERVE FOR DOUBTFUL DEBTS NO LONGER REQUIRED							200	273				
BALANCE BROUGHT FORWARD	6,085	5,735	5,184	5,024	3,877	2,731	1,384	1,462	1,665	2,022	1,763	1,424

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BALANCE IN P/L OF THE TRAFEROR CO						704	1,384				10,343	6,496
BALANCE AVAILABLE FOR APPROPRIATION:-	27,656	19,937	18,438	22,819	24,134	17,636	8,538	8,175	7,643	8,857		
INTERIM DIVIDEND												
- EQUITY SHARES				2,311							901	
- CORPORATE DIVIDEND TAX THEREON				324							99	
PROPOSED DIVIDEND												
- EQUITY SHARES	1,733	1,155	2,311		2,311	1,733	1,159	1,082	1,082	1,082	180	1,030
- CORPORATE DIVIDEND TAX THEREON	288	196	393		324	243	148	139		110	40	103
TRANSFERRED TO GENERAL RESERVE	12,500	12,500	10,000	15,000	16,476	11,782	4,500	4,571	5,000	6,000	5,000	3,000
TRANSFERRED TO RESERVE FOR BAD AND DOUBTFUL DEBTS									100		100	100
TRANSFERRED TO DEBENTURE REDEMPTION RESERVE								1,000			2,000	500
BALANCE CARRIED TO BALANCE SHEET	13,136	6,086	5,735	5,184	5,024	3,877	2,731	1,384	1,462	1,665	10,343	6,496
			18,438	22,819	24,134	17,636	8,538	8,175	7,643	8,857		
EPS OF RS.10												
BASIC	37	24	21	30	34	21	23	17	10	23	22	
DILUTED	32	18	14	17	17	9	4	3	2	4		

Table-3: Ratios

RATIOS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
RETURN ON ASSETS (PAT/Average assets)	4.9%	3.5%	3.4%	6.2%	9.5%	8.2%	5.3%	4.2%	2.7%	6.6%	7.1%	6.5%
RETURN OF EQUITY (PAT/average equity)	16%	12%	11%	17%	22%	19%	13%	10%	6%	14%	15%	14%
RETURN ON CAPITAL EMPLOYED (EBIT/average capital employed)	9%	4%	8%	11%	16%	21%	13%	13%	10%	16%	16%	15%
AVERAGE INTEREST RATE (Interest expenses/Average debt)	3%	4%	3%	3%	4%	9%	8%	9%	10%	12%	13%	13%
STOCK PRICES	301.65	209.2	59	171.05	275.4	307.2	290.55	171.85	61	39.17	42.5	64

Table-4: Factors affecting EBIT in lakh

PARTICULARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
SALES(GROSS)	276,722	249,538	234,636	215,009	195,725	193,137	115,557	90,607	78,091	76,773	77,306	66,146
LESS:- COGS	210,619	202,760	180,106	162,372	140,619	139,834	85,189	64,077	56,903	52,075	52,779	45,429
GROSS PROFIT	66,103	46,778	54,530	52,637	55,105	53,303	30,368	26,529	21,188	24,698	24,527	20,717
LESS:-												
ADMINISTRATIVE EXPENSES	5,061	9,801	5,131	5,568	4,965	4,386	3,163	2,360	1,805	1,847	1,797	1,471
SELLING AND DISTRIBUTION CHARGES	8,510	8,371	9,902	10,543	14,529	13,104	9,501	9,042	7,592	7,279	7,602	6,311
LESS:- OTHERS												
PERSONNEL EXPENSES(50%)	8,244	7,657	7,763	6,353	5,508	4,981	2,748	2,477	2,295	2,194	2,031	1,804
DEPRECIATION & AMORTISATION(50%)	11,044	10,366	7,728	5,972	5,067	4,850	2,839	2,559	2,164	1,773	1,700	1,487

OPERATING INCOME	33,244	10,582	24,006	24,201	25,036	25,982	12,118	10,091	7,333	11,604	11,397	9,645
NET OPERATING INCOME	55,331	31,314	39,462	36,145	35,170	35,682	17,796	15,209	11,661	15,151	14,796	12,618
ADD:-OTHER INCOME	5,497	3,353	2,298	3,403	4,843	2,725	1,430	1,413	843	1,301	770	814
	38,741	13,935	26,304	27,604	29,879	28,707	13,548	11,504	8,176	12,905	12,168	10,458
LESS:- OTHER EXPENSES EXCEPT INTEREST												
DEFFERED REVENUE EXPENSES WRITTEN OFF						53						
MISCELLANEOUS EXPENDITURE WRITTEN OFF								2.05	2.05	2.05	2.05	2.05
PRIOR PERIOD ITEMS				35	-9	40	50					
EBIT	38,741	13,935	26,304	27,569	29,888	28,614	13,498	11,502	8,174	12,903	12,166	10,456

Table-5: EPS of the listed textile companies of Punjab

EPS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
VARDHMAN TEXTILE	37.00	24.37	21.21	29.72	33.98	20.90	23.37	16.51	9.87	22.77	22.30	19.31
NAHAR SPINNING	14.83	-4.61	3.33	17.82	16.91	9.61	15.82	14.90	16.25	27.37	16.67	16.70
ABHISHEK INDUSTRIES LTD	2.54	-2.64	2.6	2.11	2.93	1.75	1.81	1.42	0.70	0.73	0.18	0.17
NAHAR INTERNATIONAL	4.82	0.27	0.61	17.58	26.31	6.65	10.83	3.99	-6.63	-0.29	-2.70	0.59
MALWA COTTON			-8.82	2.71	13.51	6.90					9.89	5.14

SALUJA	32.08	32.75	33.21	24.04	14.91							
OSWAL YARNS LTD	-0.27	-0.34	-0.26	-0.21	-0.14	-0.67	0.05	0.00	0.01	0.13	0.11	0.14
BHANDARI EXPORTS	1.49	1.26	2.65	3.23	4.03	0.64	0.96	0.66	0.42	1.42	1.62	2.37
WINSOME YARNS LTD	-0.47		0.80	4.23	2.59	1.40	0.68	3.53	1.86	2.66	2.78	2.19
JCT LTD	-1.70	-1.72	0.11	0.31	0.32	0.07	-0.63	0.09	1.00	15.99	4.98	-6.02
GIRNAR FIBRESLTD	0.00	0.00	-3.95	-1.53	-1.52	-2.67	-4.57	-5.47	-3.90	-4.05	0.01	-0.10
VARDHMANPOLYTEX		-7.27	2.87	13.22	8.40	7.03	8.93	16.96	3.80	18.93	16.50	11.77
VARDHMANACRYLICS	4.00	0.39	0.50	1.11	-0.37	1.81	0.76	0.88	-0.31	-0.92	-0.39	0.09

Table-6: Personnel cost of listed textile companies of Punjab

PERSONNEL COST	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Vardhman Textile Ltd	7%	6%	7%	7%	6%	6%	5%	6%	6%	6%	6%	6%
Nahar spinning	8%	7%	8%	9%	9%	8%	8%	7%	7%	7%	6%	6%
Nahar International	7%	7%	8%	7%	7%	6%	5%	6%	6%	4%	3%	4%
Malwa Cotton	11%	9%	10%	10%	11%	10%	9%	10%	9%	8%	9%	7%
Winsome yarn ltd**	5%	6%	4%	4%	4%	4%	3%	4%	4%	4%	4%	5%
JCT Ltd	10%	11%	11%	11%	11%	10%	10%	11%	12%	7%	7%	7%
Vardhman polytex**	5%	5%	14%	5%	5%	5%	5%	5%	5%	5%	6%	5%

* The companies so selected include only such companies, which have at least 40% of the business in cotton yarn to facilitate comparison

**Winsome Yarns ltd and Vardhman polytex have cost lesser than Vardhman textile as shown in Table no-6. Winsome yarns is involve in trading of yarn more as compare to the manufacturing of yarn, unlike Vardhman textile limited, which is more involve into manufacturing of yarn. Vardhman Textiles limited produces very fine quality of yarn which involves more number of counts as compare to Vardhman polytex. Due to number of counts, the stages involved are more in manufacturing of yarn. As a result of stages involved, the personnel cost is more in the case of Vardhman textiles limited

Table-7: Per Kgs selling price (in ₹) of yarn

Per Kg selling price of yarn	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
VARDHMAN TEXTILES LTD	162	153	149	153	142	150	144	138	142	145	139	129
NAHAR SPINNING	140	132	125	133	142	149	145	138	140	119	118	130
ABHSIHEK INDUSTRIES LTD	125	110	97	100	91	109	111	99	99	105	102	103
NAHAR INTERNATIONAL	115	105	99	103	101	112	118	110	109	117	110	112
MALWA COTTON	139	132	126	129	121	126	128	110	119	123	122	119
SALUJA	120	129	120	105	94	0	0	0	0	0	0	0
OSWAL YARNS LTD	0	0	0	112	123	0	0	0	0	0	0	0
BHANDARI EXPORTS	0	0	0	0	0	0	0	77	127	121	125	105
WINSOME YARNS LTD	147	137	133	126	113	122	125	12	118	129	129	144

JCT LTD	76	89	81	78	73	81	87	71	73	76	76	75
GIRNAR FIBRESLTD	0	0	0	103	94	100	115	94	100	107	101	99
VARDHMANPOLYTEX	121	109	100	107	99	106	111	98	105	111	102	105

Table-8: Average Interest rate of listed textile companies of Punjab

Average rate of Interest	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
VARDHMAN TEXTILE LIMITED	3%	4%	3%	3%	4%	9%	8%	9%	10%	12%	13%	13%
NAHAR SPINNING	6%	6%	4%	5%	4%	5%	6%	8%	10%	12%	11%	11%
ABHISHEK INDUSTRIES LTD	6%	6%	4%	5%	5%	7%	9%	8%	19%	17%	20%	16%
NAHAR INTERNATIONAL	7%	6%	5%	4%	4%	12%	9%	13%	17%	14%	12%	11%
MALWA COTTON	14%	16%	15%	14%	11%	12%	16%	16%	18%	19%	17%	15%
SALUJA	8%	8%	6%	8%	8%	8%	20%	29%	0%	0%	0%	0%
OSWAL YARNS LTD	12%	11%	12%	10%	10%	11%	12%	15%	16%	17%	17%	19%
BHANDARI EXPORTS	14%	16%	17%	23%	22%	19%	16%	15%	13%	20%	29%	23%
WINSOME YARNS LTD	7%	8%	7%	6%	8%	7%	9%	10%	11%	12%	13%	11%
JCT LTD	9%	8%	6%	6%	8%	11%	11%	10%	14%	33%	22%	19%
GIRNAR FIBRESLTD			6%	7%	12%	15%	11%	11%	12%	16%	15%	7%
VARDHMANPOLYTEX	8%	7%	5%	6%	5%	4%	3%	9%	9%	8%	9%	10%

VARDHMANACRYLICS	17%	20%	10%	9%	8%	10%	11%	10%	14%	14%	15%	1%
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Table-9: Return on Equity of listed textile companies of Punjab

Return on Equity	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
VARDHMAN TEXTILE LTD	16%	12%	11%	17%	22%	19%	13%	10%	6%	14%	15%	14%
NAHAR SPINNING	10%	-3%	2%	12%	5%	3%	5%	5%	6%	10%	6%	5%
ABHISHEK INDUSTRIES	12%	-12%	9%	11%	19%	13%	12%	12%	9%	7%	-4%	-6%
NAHAR INTERNATIONAL	3%	0%	0%	15%	20%	7%	11%	4%	-7%	0%	-3%	1%
MALWA COTTON	-31%	-61%	-2%	6%	15%	11%	-15%	-4%	-18%	-14%	5%	2%
SALUJA	16%	20%	25%	20%	14%	3%						
OSWAL	-2%	-3%	-2%	-2%	-1%	-5%	0%	0%	0%	1%	1%	1%
BHANDARI HOSEIRY	6%	5%	10%	13%	19%	3%	4%	3%	2%	5%	6%	8%
WINSOME YARN LTD	-22%	-40%	3%	15%	10%	6%	2%	12%	7%	11%	14%	12%
JCT LTD	-23%	-27%	2%	5%	5%	1%	-9%	1%	-14%	52%	16%	-19%
GIRNAR FIBRES	0%	0%	-26%	-10%	-10%	-22%	-49%	-59%	-42%	-43%	0%	-1%

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VARDHMAN POLYTEX	-16%	-5%	2%	9%	6%	5%	6%	13%	3%	15%	14%	11%
VARDHMAN ACRYLICS	26%	3%	4%	9%	-3%	17%	8%	9%	-3%	-9%	-4%	1%