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FINANCIAL PERFORMANCE OF TEXTILE INDUSTRY IN PUNJAB

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INTRODUCTION

Textile industry plays a very dominant role in the Indian Economy. In the recent years, it has attracted good amount of Foreign Direct Investment (FDI) in the country. This industry accounts for 20 % of country's industrial production and more than 4% of GDP. This industry is also a major contributor in export with 14% contribution in global clothing production and generates employment for 38 million persons. Considering all the above points it is very pertinent to study the growth, performance and potential of this industry.

The Textile Sector plays a significant role for the growth of Indian Economy by contributing a major portion in GDP as well as creating in millions of jobs or employment opportunities. The study on textile sector will give highlights to the policy makers to think over the growth patron of textile sector, explore its potential, fully utilization of its recourses. This study will also guide the Industrialist to how they can minimize their cost of production and increase their profits.

The Comparative analysis of the different textile producing industry in the study will help those industries which are lagging behind.

CURRENT POSITION OF TEXTILE INDUSTRY

- The Union Cabinet has cleared Rs. 6000 cr. package for Textile Sector, aimed at attracting investment Worth Rs.74000 cr. generating 10 million jobs and increasing textile exports by US $ 30 billion in next 3 years.
- The Dept. of Handloom and Textile, Govt. has tied up with e-Commerce players and 70 retailers to increase the reach of Handlooms Products in Indian Market.
- The Union Ministry of Textiles, which has set a target of doubling the growth of Textile Sector in 10 years.
- Govt. has allowed 100% FDI in Indian Textile Sector.

OBJECTIVE OF THE STUDY

To evaluate the financial performance of textile industry in Punjab

REVIEW OF LITRATURE

Gao, Li, Qin (2010), in their "Research on Textile Enterprises to Broaden the Financing Channels" has tried to discuss how to broaden the financing channels to solve the current financing problems for textile enterprises in China. Textile industry in China exposes many problems under financing crisis:- Lack of Innovation, Extensive Growth, etc. To solve these problems textile industry must achieve Industrial up-grading and enhance the core competence. However the shortage of capital has restricted the development of textile industry. However in recent years Textile Industry experiences a series of tests such as: Trade friction, RMB exchange rate appreciation, considerable increasing over energy price, A gradual Increase in financing costs it has been in a condition of declining in benefits, increasing in losses and financing difficulties. To solve the shortage of funds problem many enterprises strengthened internal controls which cannot fundamentally solve the funding difficulties. Therefore in current economic situation broadening the financing channels is very urgent and necessary. This paper mainly states some innovational financing means, which textile enterprises can take under present severe financial crisis, such as Special Fund, The financing service, Intellectual property mortgage, bank shares, venture capital, Credit Co-operatives, etc. It will be fairly significant for them to solve the present financing difficulties to help them ride out the storm. The government should re- enforce construction and monitoring and improve the domestic venture capital market, Guarantee system credit service system, enterprise fund system. Above all no matter what innovative financing channel the textile enterprises adopt, it will ultimately return to business operations, the enterprises internal control and governance mechanism. Therefore the good development of textile industry is the best guarantee for the financing. Meanwhile, the paper exist some deficiency about how to guarantee the implementation of the means.

Mohammad Irfan Khan (2009) in his study, "Price Earning Ratio and Market to Book Ratio: A Case Study of Pakistani Textile Sector", has analyzed the effects of P\E ratio and M\B ratio on stock return of listed firms with Karachi Stock Exchange in the textile sector of Pakistan. A total of 30 major firms out of 162 in the textile sector listed with the Karachi Stock Exchange for the period of 2001-06 were selected on the basis of their size in terms of total assets. Firms which have larger size in terms of total assets among 162 firms are selected in this paper. The study reveals that the firms in an exclusive sector exhibit unique attributes that are sector specific and cannot be applied to or judged by combined analysis of the industry. The result shows that coefficients of independent variables are statistically insignificant. This means that stock return is not depending on any of two independent variables. Besides insignificant coefficients, coefficients of determination are also very low in each case. This means that a very low percentage of change in stock return is explained by these two variables. The data was analyzed by running linear regression. Two independent variables i.e. P\E ratio and M\B ratio was selected to see their effects on stock return. Multiple regression models along with a measure of correlation were used to study the effect of the independent variables on the dependent variable. The results for the study revealed that stock return is independent of the two independent variables studied in this paper.

Lin, Liu, Chen (2008) in their study, "Integration Traditional Financial Ratio Analysis with Performance Evaluation for Taiwan Textile Industries", integrated the Data Envelopment Analysis (DEA) with Financial Ratio Analysis to evaluate the performance of 46 textile industries in Taiwan Stock Market during the year 2005-07. This study aimed to find out what would happen if the crossing year research by window analysis were applied while most DEA researchers focused on single year result. The efficient value number was useful for both general investors and managers in investment decision making and operation improvement. Seven indicators of input variables and seven indicated output variables were used in the study. Net profit to sales, Liabilities/ assets ratio, current assets, net sales, cost of goods sold, operating cash inflow, and net working capital were used as the input variables. Time interest earned ratio, return on total assets, return on shareholders' equity, current ratio, accounts receivable turnover, inventory turnover ratio and total assets were used as the output variables. During the study period, 28 textile industries were determined as efficient while other 18 textile industries were inefficient. Under input variables oriented situation, inefficient textile industries showed resource wasting. Thereby, efficient textile industries were recommended as good investment targets for general investors.

Chesnick (2000), in his study, "Financial Management and Ratio Analysis for Cooperative Enterprises", discusses differences in financial management and goals between the investor-oriented firms and co-operatives. It reviews what bankers look for when appraising potential borrowers. A summary of standard financial ratios used to analyze a variety of business structures is included, along with other modified ratios to address deficiencies evident in standard ratios. Four categories of standard financial ratios are used in analyzing financial position, liquidity, leverage, activity and profitability ratios. Financial ratios are related to data during the last 18 years from the largest agricultural cooperatives. It has been concluded that differences between IOFs and cooperatives mean that some standard financial analyses do not relate well with co-operatives. This is especially relevant for profit oriented ratios. This report provides a supplement to standard analysis with an eye towards cooperatives. Some ratios help analyze the cooperative's financial performance and cash flow analysis. Managers and creditors should find these findings helpful in appraising the financial strength if the cooperative. While there is no set standard at this time, using these analysis tools should help the cooperative develop its own performance measurements.

Altman (1968) in his study, "Financial ratios, Discriminate Analysis and Prediction of Corporate Bankruptcy", tried to use the financial ratios to predict corporate bankruptcy with the help of multiple discriminate analysis. He should a sample of 66 bankrupt firms. He examined 22 financial ratios with a view to selecting the 5 which jointly possessed the maximal power to indicate bankruptcy. The ratios selected were ; working capital to total asset ratio; retained earnings to total asset ratio; market value of equity to book value of debt ratio and sales to total asset ratio; earnings before interest and taxes to total asset ratio. He concluded that the discriminate- ratio model proved to be extremely accurate in predicting bankruptcy correctly in 94percent of the initial sample with 95percent of all firms in the Bankrupt and non-bankrupt groups assigned to their actual group classification.

I.M.Pandey in his study, "Financial Goals Choices and Performance of Firms in Malaysia," Studied the relationship between firm's financial performance and stated financial goals. The objective of the study is to ascertain the financial goals pursued by companies in Malaysia and to find relationship between financial performance and goals of firms. Data on the financial goals are collected using questionnaire method. Questionnaire was sent to 192 companies. The criteria for selecting companies were that they should be listed on the Kuala Stock Exchange (KLSE). The results of the questionnaire analysis are (a) Firms in Malaysia follow multiple financial goals (b) A very few firms consider maximization of market value per share as their primary goal in the financial decision making (c) From the overall rank ordering of the financial goals, the following four goals could be isolated as more important in practice: (1) Maximization of operating profit before interest and taxes (PBIT); (2) Maximization of rate of return on equity (ROE); (3) Maximizing the growth rate in earning per share (EPS); and (4) Ensuring that funds are available. The cross section study of the selected sample companies reveals that the pursuit of the goal of maximizing PBIT is positively related to the accounting- based financial performance. However, pursuing the goal of maximizing ROE has no relationship with the actual performance measured by ROE, and it has a negative relationship with the financial performance measure of ROA. The financial goals pursued by firms in Malaysia have no relation with market- to- book value as a measure of performance.

RESEARCH METHODOLY

Methods of the Study

This study is about the financial statement analysis of the selected companies in the textile industry in Punjab. The study is descriptive in nature. The researcher has utilized the descriptive method in acquiring information for evaluating the financial performance of the selected companies.

Data Collection

The research data is secondary in nature as for this particular research. The data is collected for the consecutive five years i.e. from 2012-13 to 2016-17 for financial analysis of the selected companies of Punjab. The data has been obtained from published sources, like annual reports from the registrar office, Annual Reports of Companies, websites, various reports of organizations and information in journals and books relating to economic, financial and commercial matters.

Sampling Procedure

The research, which has been done on the financial analysis of the selected textile companies, has considered four textile units as its sample study, they are:-

A) Vardhman Textile Ltd.
B) Abhishek Industries Ltd.
C) Nahar Spinning Mills Ltd
D) JCT Limited

Financial Tools

To know the desired results and to get the desired information financial tools like Common Size Analysis, Ratio Analysis and Cash Flow Analysis have been applied in the present study. Under Common Size Analysis the Balance Sheets and Profit and Loss Account have been rearranged in standard formats.

FINANCIAL ANALYSIS OF TEXTILE MILLS

Financial Analysis has been defined as "The process of identifying the financial strengths and weakness of the firm by properly establishing relationships between the items of the Balance Sheet, Profit and Loss Account and other operative data." Financial statements are prepared primarily for decision making process, but the information provided in such statements is not an end in itself as no meaningful conclusions can be drawn, but if financial statements are properly analyzed and interpreted then it is of immense use in making decisions. According to Metcalf and Titard, "Analyzing financial statements is a process of evaluating the relationship between component parts of the financial statement to obtain a better understanding of a firm's position and performance." In the words of Myers, "Financial Statement Analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements, and the study of trend of these factors as shown in a series of statements."The Purpose of financial analysis is to diagnose the information contained in the financial statements. The term 'Financial Statements' generally refers to the two statements (1) the position statements or Balance Sheet(2)the income statement or the Profit and Loss Account. Financial Statements are also called financial reports, which are prepared on the basis of recorded facts, expressed in monetary terms. The statements are prepared for a particular period, say generally one year and are recorded in chronological order. Financial statements prepared from these records are based on historical cost.

The financial statements are mirror which reflects the financial position and operating strength or weakness of the concern. Therefore financial statements are demanded by various parties including (1) Shareholders, Investors & security analysts (2) Managers (3) Employees (4) lenders and other suppliers (5) customers (6) government agencies and (7) stock brokers. All these parties demand financial statements to facilitate decision making, to facilitate the monitoring of management or to interpret contracts or agreements that include provisions based on such information.

EVALUATION OF THE FINANCIAL PERFORMANCE OF MAJOR TEXTILE INDUSTRY IN PUNJAB

Finance is the master key which provides access to all the sources for being employed in manufacturing and merchandising activities. It has rightly being said that business needs money to make more money. Efficient management of every business enterprise is closely linked with the efficient management of its finance. Thus management makes use of various financial techniques for administering the financial affairs of the firm in most efficient way. Similarly the objective of this study is to evaluate the financial performance of textile industry in Punjab. To achieve this purpose some of the major textile players of Punjab are selected named as M/s Vardhman Textiles Limited, Abhishek Industries, JCT Limited and Nahar Spinning Mills Limited. A comparative analysis has been made between these four companies to evaluate their financial performances. To find out the financial strength and the level of competency a detailed analysis of the company's financial statements have been made from financial year 2007-08 to 2016-17. The methods or techniques used in analyzing financial statements in this study are common size statements, ratio analysis and cash flow analysis.

COMMON SIZE INCOME STATEMENT

In Common Size Income Statement, each item is expressed as a percentage of sales, thus enabling the relationship between sales and specific revenues and expenses to be easily evaluated. Three frequently cited ratios of profitability that can be read directly from the common size income statement are gross profit margin, operating profit margin and the net profit margin. Common size income statement is a vertical analysis of financial statements in which an item is used as a base value and all other accounts in the income statement are compared to this base value, thus 100 percent is assigned to net sales, with all revenues and expense accounts then related to it. Following is the result of the analysis of the companies Common Size Income Statement.

Consolidated Common Size Income Statement of Companies
From 2012-13 to 2016-17 (Value in %)

Particulars	**Vardhman Textiles**	**Abhishek Industries**	**JCT Limited**	**NaharSpinning Mills**
Sales	100	100	100	100
Cost of Goods Sold	69.84	63.26	76.20	69.05
Gross Profit	30.16	36.74	23.80	30.95
Operating Expenses	13.38	18.99	19.51	16.76
Other Income	1.78	1.33	3.74	1.20
Operating Profit	18.56	19.08	8.03	15.39
Non-Operating Expenses	12.17	16.65	11.60	12.18
Net Income/(Loss)	6.39	2.43	(3.57)	3.21

Above table depicts the consolidated five Years average of Common size income statement of all the four companies. The data presented in the table disclose that gross profit of Abhishek industries is higher as compared to other companies resulting into high operating profit even though its operating expenses are higher. But because of higher non – operating expenses company's net income is lower. On the other side though gross profit of Vardhman Textiles is lower than Abhishek Industries yet its net income is 2.5 times more than the net income of Abhishek Industries because of control over both operating and non-operating expenses.

COMMON SIZE BALANCE SHEET

Common Size Analysis of Balance Sheet is especially useful in comparing the performance for a particular year with that of current year. Common size analysis of financial statements expresses each item as a percentage of its major item. Total assets are assigned equal to 100 percent and different assets are expressed as a percentage of the total assets. Similarly, total liabilities and stockholder's equity are assigned 100 percent with a given liability or equity account stated as a percentage of total liabilities and stockholder's equity. Following is the result of the analysis of Common Size Balance Sheet.

Consolidated Common Size Balance Sheet of Companies from 2012-13 to 2016-17

Account title	Vardhman Textiles	Abhishek Industries	JCT Limited	Nahar Spinning Mills
Cash and bank balances	6.20	1.99	1.37	0.79
Sundry Debtors	7.80	2.73	4.87	14.81
Inventory	21.19	13.41	16.99	23.85
Loans and Advances	7.75	7.68	6.17	8.28
Total Current Assets	**42.94**	**25.81**	**29.40**	**47.73**
Net Fixed asset	52.49	70.74	61.52	46.30
Long term Investments	4.57	3.45	9.08	5.97
Total non- current asset	**57.06**	**74.19**	**70.60**	**52.27**
Total assets	100	100	100	100
Sundry creditors	2.00	7.08	17.26	1.58
Advances from customers	0.61	0.17	0.00	0.32
Other current liabilities	7.70	3.30	1.36	6.50
Provisions	0.35	0.67	2.56	1.33
Total current liabilities	**10.66**	**11.22**	**21.20**	**9.73**
Secured loan	48.09	65.77	35.36	48.66
Unsecured loan	8.58	0.22	22.86	0.70
Total non-current liabilities	**56.67**	**65.99**	**58.22**	**49.36**
Total liabilities	**67.33**	**77.21**	**79.42**	**59.09**
Preferred equity	0.00	0.00	4.40	0.00
Common equity	1.59	11.01	11.70	1.35
Retained earnings	31.08	11.78	4.48	39.56
Total shareholder equity	**32.67**	**22.79**	**20.58**	**40.91**
Total liability and equity	**100**	**100**	**100**	**100**

Table depicts that current assets of Nahar Spinning Mills is higher as compared to other companies whereas its investment in fixed assets is lower, implying that the policy of the company is to increase its sales through trading activities along with manufacturing activities. On the other side company's dependence on outsider's funds is also lower than other three companies as 40 percent of its own funds are engaged in company. Contribution of retained earnings in total liabilities and equity of Nahar Spinning Mills is also higher than other companies.

INTERPRETATION OF LIQUIDITY RATIOS

Liquidity refers to the ability of a concern to meet its current obligations as and when these become due. If current assets can pay its current liabilities then liquidity position of company is considered satisfactory. The bankers, suppliers of goods and other short term creditors are interested to know whether the customer will be able to lay its hand on the cash to repay. Liquid assets are those assets which can be converted into cash quickly. To judge the liquidity position of the concern working capital is calculated which compares current assets to current liabilities and serve as the liquid reserve available to satisfy contingencies and uncertainties. A high working capital balance is mandated if the entity is unable to borrow on short notice.

Consolidated Five Years Average of Liquidity Ratios of Companies.From 2012-13 to 2016-17

Particulars	Vardhman Textiles	Abhishek Industries	JCT Limited	Nahar Spinning Mills
Current ratio	4.032	2.38	1.412	4.85
Quick ratio	1.33	0.45	0.30	2.46
Cash ratio	0.6	0.21	0.06	0.08
Net working capital to assets ratio	0.33	0.15	0.08	0.37

Tabledepicst the five Year’s average of liquidity ratios of all the four companies. The data presented in above table describes that the liquidity position of both Vardhman Textiles and Nahar Spinning Mills is quite satisfactory. Current ratio and quick ratio of both the companies are above the benchmark of 2:1 and 1:1 respectively. But cash ratio of Nahar Spinning Mills is below the benchmark of 0.5:1. Thus company should try to improve its cash ratio to meet its day to day expenses as well as to meet further contingencies. Net working capital to assets ratio shows that both companies have sufficient working capital for smooth working of business

INTERPRETATION OF EFFICIENCY RATIOS

Efficiency ratios measure the effectiveness with which a firm manages its resources or assets. These ratios are also known as turnover ratios because they indicate the speed with which assets are converted into sales. Some of the turnover ratios which are calculated below are Inventory turnover ratio, Receivable turnover ratio, Payable turnover ratio, Total asset turnover ratio and fixed asset turnover ratio.

Consolidated Five Years Average of Efficiency Ratios of Companies.
From 2012-13 to 2016-17

Particulars	Vardhman Textiles	Abhishek Industries	JCT Limited	Nahar Spinning Mills
Inventory turnover ratio	2.22	3.11	3.26	2.22
Days in Inventory	164	124	112	167
Receivable turnover ratio	8.70	26.04	14.27	5.25
Collection period	42	14	26	72
Payable turnover ratio	16.57	6.02	2.22	23.91
Payment period	25	70	169	20
Total asset turnover ratio	0.66	0.58	0.68	0.66
Fixed asset turnover ratio	1.10	0.87	1.23	1.28

Table depicts the five year's average of efficiency ratios of the companies. It shows that inventory turnover ratio of all the companies is lower still performance of JCT Limited in converting stock into sales is better than other companies. Receivable turnover ratio of Abhishek Industries is higher as compared to other companies implying that collection from debtors is made just in 14 days. Receivable turnover ratio of Nahar Spinning Mills is comparatively lower which means that cash collection from debtors is very slow. Payable turnover ratio of Nahar Spinning Mills is higher implying that payment is made as soon as possible. On the other hand Payable turnover ratio of JCT Limited is too lower showing that company's policy is to use credit for a longer period by extending payment period of creditors. Total asset turnover ratio depicted in table shows that companies are unable to produce Rupee one of sales for each rupee of assets invested. Though total asset turnover ratio of JCT Limited is higher as compared to other companies yet it is below the standard. Fixed asset turnover ratio of Nahar Spinning mills is higher as compared to other companies which means that company is earning Rs. 1.28 for each rupee of fixed assets invested. As regarding efficiency ratios no particular company can be considered better.

INTERPRETATION OF LEVERAGE RATIOS

Leverage ratios indicate firm's ability to meet the fixed interest and cost and repayment schedules associated with its long term borrowings. Long term creditors of a firm are primarily interested in knowing the firm's ability to pay regularly interest on long term borrowings, repayment of principal amount at the maturity and the security of their loans. If profit rise, the debt holders continue to receive a fixed interest payment, so that all the gains go to shareholders, whereas if the reverse happen and profit fall shareholders bear all the pain.

Consolidated Five Years Average of Leverage Ratios of Companies. From 2012-13 to 2016-17

Particulars	Vardhman Textiles	Abhishek Industries	JCT Limited	Nahar Spinning Mills
Total debt ratio	0.67	0.76	0.79	0.58
Long term debt ratio	0.56	0.65	0.57	0.48
Debt equity ratio	2.03	3.32	4.02	1.46
Interest coverage ratio	4.78	2.07	0.76	2.81
Capitalization ratio	0.62	0.73	0.73	0.54

Table present the five year's average of leverage ratios of all the companies. Above stated data reveals that both total debt ratio and long term debt ratio of Nahar Spinning Mills are lowest as compared to other firms, further debt equity ratio and capitalization ratios are also lowest which reveals that company is not only dependent on outsider's funds besides owner's funds is also utilized in financing fixed assets. Interest coverage ratio of Nahar Spinning Mills is not satisfactory, as net profits before interest and taxes are just 2.81 times of interest charges paid which is too low. Table discloses that total debt ratio, debt equity ratio and capitalization ratios of JCT Limited are at top implying company's dependence on outsider's funds. Interest coverage ratio of JCT is too low that it can't even cover its interest charges. Interest coverage ratio of Abhishek Industries is little bit higher as compared to JCT Limited but is not satisfactory. Vardhman Textiles is next to Nahar Spinning Mills regarding utilization of outsider's funds. Interest coverage ratio of Vardhman Textiles is higher as compared to all other companies, but still Vardhman Textiles should try to earn higher profits to satisfy its debenture holders as well as its shareholders.SimilarlyNahar Spinning Mills should also try to improve its interest coverage ratio.

INTERPRETATION OF PROFITABILITY RATIOS

Profits are useful measure of overall efficiency of a business. Thus profitability ratios focus on the firm's earnings. These ratios are related to sales or in relation to investment. Owners and management pay close attention to boost profits as profits are index of economic progress as well as less cumbersome source of finance. A low profitability may arise due to lack of control over the expenses. Banker's, financial institutions and other creditors look at the profitability ratios as an indicator whether or not the company earns substantially more than it pays interest for the use of borrowed funds whether the ultimate repayment of their debt appears reasonably certain.

Consolidated Five Years Average of Profitability Ratios of Companies From 2012-13 to 2016-17

Particulars	Vardhman Textiles	Abhishek Industries	JCT Limited	Nahar Spinning Mills
Gross profit margin	30.33	37.24	23.85	30.60
Net profit margin	6.57	3.16	-3.36	3.47
Operating profit margin	18.55	19.28	8.12	15.47
Return on asset	3.51	1.89	-2.32	2.14
Return on shareholder equity	12.75	6.88	-20.41	5.16

Above table disclose the profitability position of four companies. The data presented above is average of five years from 2012-13 to 2016-17.Gross profit ratio of Abhishek Industries is highest among all as a result its operating profit margin is also high but its net profit ratio is lower as compared to Vardhman and Nahar Spinning mills as company was not able to control its non- operating expenses. Gross profit ratio of Vardhman Textiles is lower as compared to Abhishek Industries yet its net profit ratio is higher than Abhishek Industries because of control over operating and non- operating expenses. The above Table depicts that though gross profit ratio of Nahar Spinning Mills is higher than Vardhman Textiles yet due to lack of control on operating and non- operating expenses operating profit as well as net profit ratio is lower as compared to Vardhman Textiles. The profitability position of JCT Limited is very poor as due to lower gross profit , operating profit is also lower which is not even able to cover non- operating expenses as a result company has to suffer losses. Both Return on asset and Return on shareholder's equity of Vardhman Textile is higher as compared to other companies. Thus it is evident from above tables that performance of Vardhman Textiles is better as compared to other companies and the least performance is of JCT Limited.

CONCLUSION

To evaluate the financial performance of textile industry in Punjab, sample of four textile units have been taken and deeply analyzed. The textile units studied under this research are Vardhman Textiles Ltd, Abhishek Industries Ltd, JCT Limited and Nahar Spinning Mills Limited. In order to judge the financial performance various tools used in analysis are Common Size Income Statement, Common Size Balance Sheet, Ratio analysis and Cash Flow Analysis. The study measured the financial performance of each company yearly and compared its average and trend. The result of analysis is as follows:-

i. By analyzing Common Size Income Statements it is observed that profitability position of Vardhman Textiles Ltd is much better than other three companies. Though the net income of Vardhman Textiles has decreased a lot in FY 2008-09, yet improvement was noticed in 2013-14 due to decrease in cost of goods sold and control on operational expenses. Nahar Spinning Mills is next to Vardhman Textiles.

ii. It is evident from above analysis of Common Size Balance Sheet of all the four companies that the financial performance of Vardhman Textiles is much better as compared to other companies. Next to Vardhman Textiles the financial performance of Nahar Spinning Mills is good. Though the investment in fixed assets of Vardhman Textiles is lower than Nahar Spinning Mills and also dependence on outsider fund is higher yet its debt service ratio is 4.78 times of fixed interest charges which is more than debt service ratio of Nahar Spinning mills which is 2.81 times, indicating that company is able to bear the burden of higher interest by enjoying tax benefit.

iii. The liquidity position of both Vardhman Textiles and Nahar Spinning Mills is satisfactory as their current ratio and quick ratio are above the benchmark ratios of 2:1 and 1:1 respectively, but the cash ratio of Nahar Spinning Mills is below the benchmark ratio of 0.5:1. Therefore company should try to increase its cash funds to face any type of contingencies in future.Liquidity position of Abhishek Industries is not satisfactory as all the ratios (except current ratio) is below benchmark ratios, thus improvement becomes evident in case of Abhishek Industries Limited. Further liquidity position of JCT Limited is also very poor as its all ratios are below the benchmark ratios. The company is suffering from acute shortage of working capital.

iv. It has been observed from the above analysis of efficiency ratios that inventory turnover ratio of JCT Limited is better than these companies, but the receivable turnover ratio of Abhishek Industries Limited is much better than these companies. In case of payable turnover ratio and fixed assets turnover ratio Nahar Spinning Mills is better. As regarding efficiency ratios no particular company can be considered better.

v. The above analysis of leverage ratios reveal that total debt ratio, long term debt ratio, debt equity ratio, and capitalization ratio of Nahar Spinning Mills are lowest as compared to other companies indicating that the company is not only dependent on outsider's funds but the owner's equity is also utilized in financing fixed assets. Interest coverage ratio of Nahar Spinning Mills is less than that of Vardhman Textiles Ltd. Leverage ratios of both Abhishek Industries and JCT Limited is higher showing more dependence on long term debts but interest coverage ratio of JCT Limited is too low and the company is unable to cover its interest charges efficiently.

vi. It can be concluded from profitability ratios that profitability position of Vardhman Textiles is better as compared to other companies as its ROA and ROE ratios are higher. Profitability position of JCT Limited is very bad with negative ROA and ROE. On the other hand performance of Nahar Spinning Mills and Abhishek Industries is competitive as ROA is higher in case of Nahar Spinning Mills and ROE is higher in case of Abhishek Industries.

From the above facts it can be concluded that the overall financial performance of Vardhman Textiles is more consistent and stable as compared to other three companies. The findings of the study indicate that the financial performance of Nahar Spinning Mills is little behind the average of Vardhman textiles in profitability. Firstly it is suggested that by reducing operating and non-operating expenses the results in case of JCT Limited may be positive in future. Secondly the companies should try to increase the volume, sales and utilization of its production capacity to full extent. Thirdly it is also suggested that to face competition the company relying on long term debts should try to repay the debts timely so as to increase its share in the market. Further it can be concluded that increase in fixed assets, long term debts, shareholder equity does not always lead to better results rather their efficient utilization by way of professional management is necessary to obtain positive results. Lastly the discussion with board members or professional experts who have backgrounds related to financial management will be beneficial for the companies to make strategic management plans to improve its financial performance.

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