

Financial Performance of Top Ten Export Handloom Units in India

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Abstract

The handloom sector occupies a distinct and unique place in the Indian economy, besides being the largest generator of non-farm rural employment. While available statistics indicate an economic sector of considerable size, there is still immense scope for expansion. The handloom sector indeed is capable of exponential growth, with proper identification of its needs, a reasonable level of resource input and structural attention. Any initiative in this direction, however, is hampered by a paucity of detailed ground level data. The generation of such information is an urgent necessity today. The objective of this paper has been to generate such field data, which can become the basis for future interventions. It identifies areas of potential growth in the handloom sector and indicates models for intervention based on ground realities. It focuses on different handloom sectors with a view to bringing out the trends and growth and identifies particular problems.

Keywords: Handloom Export Units, Economic Sector, Sick Industries, Profit After Tax, Rural Employment.

1. Financial Performance of Top Ten Export Handloom Units in India

The handloom sector occupies a distinct and unique place in the Indian economy, besides being the largest generator of non-farm rural employment. While available statistics indicate an economic sector of considerable size, there is still immense scope

for expansion. The handloom sector indeed is capable of exponential growth, with proper identification of its needs, a reasonable level of resource input and structural attention. Any initiative in this direction, however, is hampered by a paucity of detailed ground level data. The generation of such information is an urgent necessity today. The objective of this paper has been to generate such field data, which can become the basis for future interventions. It identifies areas of potential growth in the handloom sector and indicates models for intervention based on ground realities. It focuses on different handloom sectors with a view to bringing out the trends and growth and identifies particular problems. It has been pointed out by *Bhatnagar Subhash* that in handloom industries successful models for scaling up ITC's E-Chaupal is the best example of the scheme aimed at up gradation of infrastructure support and skill for handloom weavers, besides strengthening the production base by modernizing the looms. *Misra Kinkini Dasgupta* has pointed out that keeping in view the plight of rural women, the government is providing special packages for those who are involved in home based or small-scale activities related to handloom, handicraft, sericulture, etc. It has also been observed in a survey that the HEPC has identified five handloom production clusters to be developed as Handloom Export Zones. A scheme has been formulated and submitted to the Ministry of Textiles for sanction. It has been pointed out that the HEPC has embarked upon a project called 'Handloom Expo Mart' to give a competitive edge to the exporters. The establishment of an international market will be the right strategy to attract buyers who are increasingly looking up to India as a major sourcing hub for handloom textiles. It has also been observed that the textile ministry is taking steps to brand handloom products to prevent duplication by the power loom industry. The Ministry has also entrusted the textile committee to develop a handloom mark for the industry in the lines of wool mark and silk mark.

2. Research Methodology

This Section focuses on the growth rate of Handloom Industry, to accomplish the objective i.e "To examine the pattern of Growth and Present position of Export Handloom industry in India" various ratios like Profit before Interest and Tax (PBIT), Profit After Tax (PAT), Operating Profits (OP) and Earning Per Share (EPS) are calculated which lend a hand for knowing the profitability of industries in Haryana.

Selected Companies: In order to achieve the fourth objective, top ten export handloom companies from Haryana State have been selected on the basis of profitability from Economic Times 500 ranking and these are:

Company Name	Rank
Aditya Birla Nuvo Ltd.	1
J B F Industries Ltd.	2
Alok Industries Ltd.	3
S Kumars Nationwide Ltd.	4
Vardhman Textiles Ltd.	5

Arvind Ltd.	6
S R F Ltd.	7
Garden Silk Mills Ltd.	8
Raymond Ltd.	9
Bombay Rayon Fashions Ltd.	10

Data Analysis and Interpretation

Table 1: Profit before Interest and Tax (PBIT)

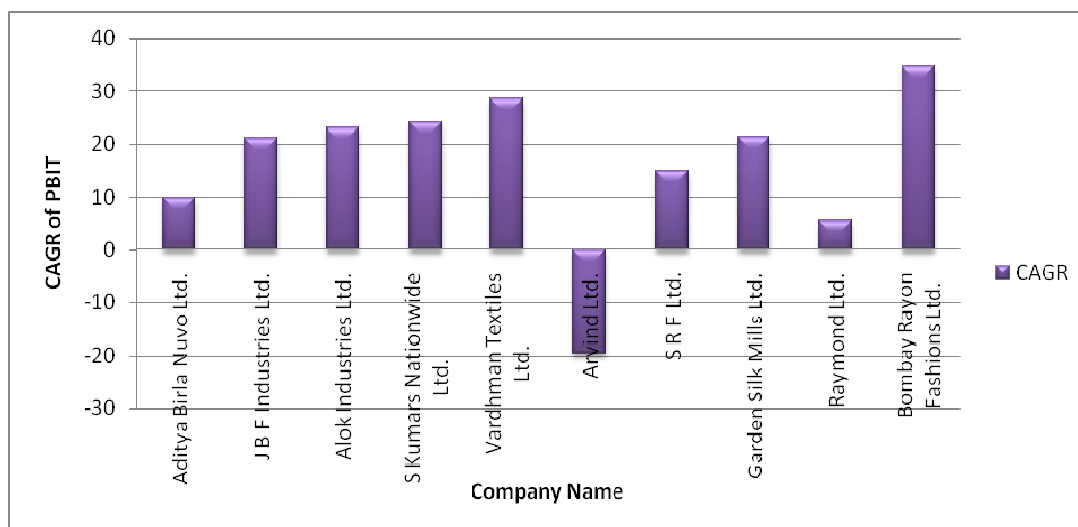
Company Name and Ranking	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	CAGR
Aditya Birla Nuvo Ltd.	311.08	314.56	162.3	320.3	495.08	9.94 %
J B F Industries Ltd.	143.49	213.88	251.56	229.72	359.69	21.04 %
Alok Industries Ltd.	232.31	297.59	284.99	374.79	583.19	23.02 %
S Kumars Nationwide Ltd.	196.53	304.96	234.52	386.78	515.55	24.19 %
Vardhman Textiles Ltd.	225.77	168.98	61.71	287.02	608.86	28.58 %
Arvind Ltd.	27.71	29.61	-46.96	52	134.8	-19.56 %
S R F Ltd.	493.72	259.28	374.06	470.98	732.71	14.87 %
Garden Silk Mills Ltd.	107.38	126.95	123.79	181.08	237.25	21.42 %
Raymond Ltd.	125.26	75	104.39	66.94	173.59	5.54 %
Bombay Rayon Fashions Ltd.	75.6	171.59	215.34	241.57	282.48	34.69 %

Source: CMIE Prowess Software

Lots of Textile industries are there in India and recording good profit. Upon calculation of profit before interest and tax of these companies, it has revealed that PBIT of Aditya Birla Nuvo Ltd. was recorded as 311.08 in December, 2007 and as 495.08 in December 2011. CAGR of profit before interest and tax of Aditya Birla Nuvo Ltd. was recorded as 9.94 percent, however, the maximum CAGR as 34.69 percent has been recorded for Bombay Rayon Fashions Ltd., which commenced on 75.6 percent in December, 2007 and ended at 282.48 in December, 2011 with the maximum growth. Thereafter, Vardhman Textiles Ltd. has shown a good performance with CAGR of 28.58 percent, which started at 225.77 in December, 2007 and after fluctuations it, reached upto 608.86. Next is S Kumars Nationwide Ltd. with a CAGR of 24.19 percent. In December 2007, it showed a Profit before Interest and Tax of 196.53 and by December 2011 it had reached 515.55. Alok Industries Ltd. comes next with CAGR of 23.02 percent commencing at 232.31, ending at 583.19 in December, 2011. Garden Silk Mills Ltd. follows with a CAGR of 21.42 percent and the Profit before Interest and Tax rising from 107.38 in December 2007 and ending at 237.25 in December 2011. CAGR of Profit before Interest and Tax of JBF Industries has scored 21.04 percent commencing at 143.49 in December, 2007 and ending at 359.69. CAGR of S R F Ltd. and Raymond Ltd has scored 14.87 and 5.54 percent, respectively. The only negative CAGR is of Arvind Ltd. and has been recorded as -19.56 percent, which is in an alarming condition.

One Way ANOVA Table							
	Intra-Class Correlation	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	0.27	0.05	0.79	4.62	4	45	0.003
Average Measures	0.78	0.33	0.97	4.62	4	45	0.003
One-way random effects model where people effects are random.							

With objective to study the variance in the Profit before Interest and Tax of various textiles companies in different years one way ANOVA has been applied. As we see that the computed value of F-test at (4, 45) degree of freedom at 5 percent level of significance is 4.62, which is less than the tabulated value 5.72. Hence, we accept our hypothesis and it is concluded that the growth in the profit Before Interest and Tax of various textiles companies in different years do not vary significantly in different year.



Graph 1: Compounded Annual Growth Rate of PBIT of Selected Textile Companies

CAGR for the Profit before interest and tax of Aditya Birla Nuvo Ltd. has been ciphered as 9.94 percent, however, for CAGR for J B F Industries Ltd., Alok Industries Ltd., S Kumars Nationwide Ltd., Vardhman Textiles Ltd., Arvind Ltd., S R F Ltd., Garden Silk Mills Ltd., Raymond Ltd. and Bombay Rayon Fashions Ltd. was as 21.04, 23.02, 24.19, 28.58, -19.56, 14.87, 21.42, 5.54 and 34.69 percent respectively.

Table 2: Profit After Tax (PAT)

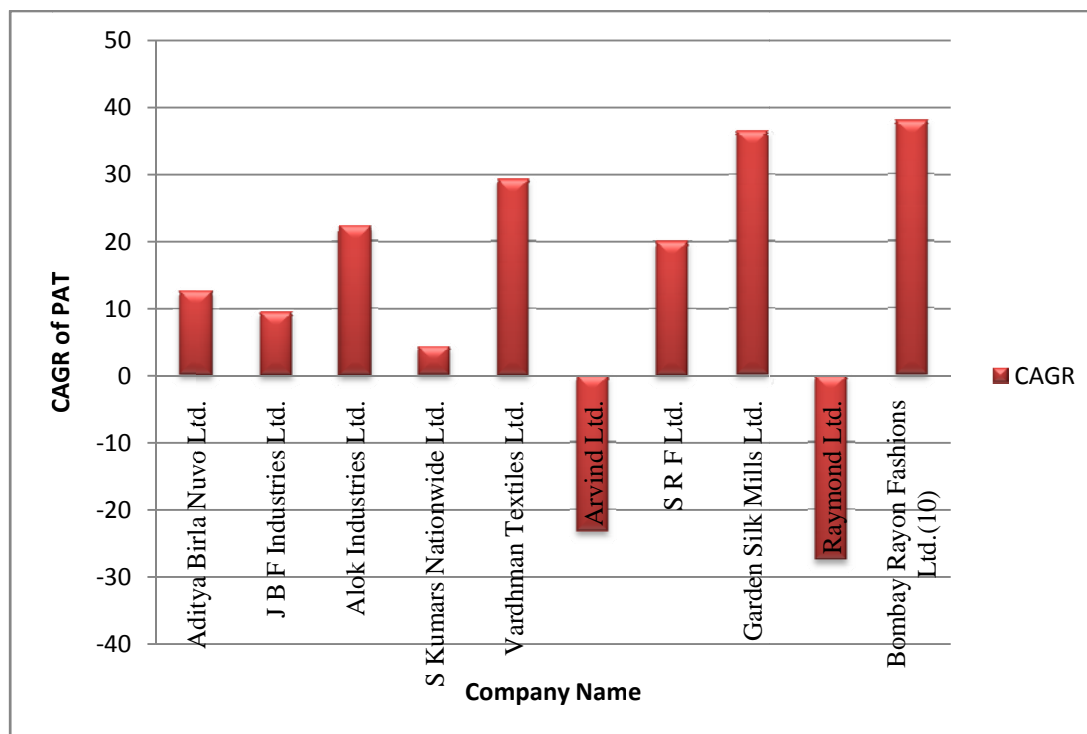
Company Name and ranking	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	CAGR
Aditya Birla Nuvo Ltd.	224.97	243.07	137.43	283.4	379.69	12.75 %
J B F Industries Ltd.	80.77	138.73	76.27	129	131.42	9.43 %
Alok Industries Ltd.	164.86	198.66	188.37	247.34	404.36	22.31 %
S Kumars Nationwide Ltd.	107.47	178.13	60.09	106.1	172.7	4.40 %
Vardhman Textiles Ltd.	171.7	122.54	140.77	213.76	469.7	29.29 %
Arvind Ltd.	25.27	27.36	-47.87	52	134.8	-23.24 %
S R F Ltd.	289.07	138.73	163.28	309.42	483.44	20.09 %
Garden Silk Mills Ltd.	23.26	40	49.58	63.2	87.87	36.56 %
Raymond Ltd.	201.25	66.12	-270.4	26.37	-104.9	-27.56 %
Bombay Rayon Fashions Ltd.	54.48	121.13	148.5	175.92	226.7	38.05 %

Source: CMIE Prowess Software

Graph 2: Compounded Annual Growth Rate of PAT of Selected Textile Companies

One Way ANOVA Table							
	Intra-Class Correlation	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	0.16	0.00	0.70	2.95	4	45	0.0301
Average Measures	0.66	-0.05	0.96	2.95	4	45	0.0301
One-way random effects model where people effects are random.							

The ten textiles companies have recorded a good Profit After Tax, as is evident from the above table. Maximum CAGR of 38.05 percent has been recorded in the case of Bombay Rayon Fashions Ltd. Garden Silk Mills Ltd. has a positive growth rate of 36.56 percent after Bombay Rayon Fashions Ltd. On the other hand, in case of Aditya Birla Nuvo Ltd. there is an increasing trend of PAT except in the year December 2009. In case of J B F Industries Ltd. PAT has increased from 80.77 in December 2007 to 131.42 in December 2011 with a CAGR of 9.43 percent. There is a tremendous growth of PAT in case of Alok Industries Ltd. and shows a high degree of positive growth rate of 22.31 percent. The two companies to show negative Profit After Tax are Raymond Ltd. and Arvind Ltd. The lowest is in case of Raymond Ltd. which shows a negative CAGR of -27.56 percent followed by Arvind Ltd. with a CAGR of -23.24 percent.



To conclude, we can say that Bombay Rayon Fashions Ltd. has the highest growth rate of Profit After Tax in the last five years and Raymond Ltd. has the least growth rate.

One way ANOVA is also applied to know whether the profit after tax varies significantly in various kinds of textile companies or not. We see from the above table that the computed value of F-test at (4, 45) degree of freedom at 5 percent level of significance i.e. 2.95, is less than the tabulated value 5.72. Hence we accept our hypothesis. It means that the PAT does not vary significantly in various kinds of textile companies.

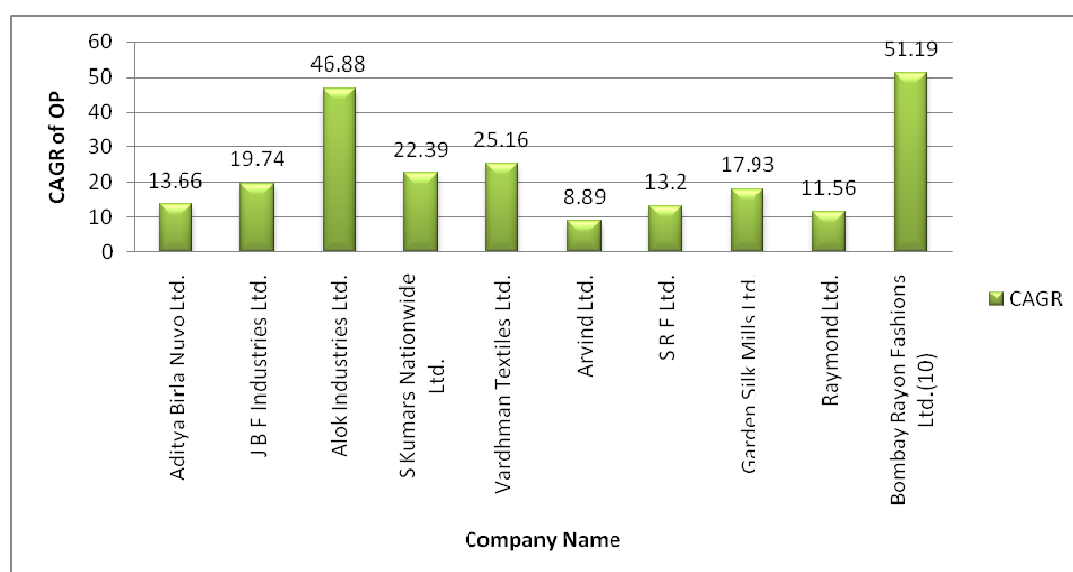
Table 3: Operating Profits (OP)

Company Name and Ranking	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	CAGR
Aditya Birla Nuvo Ltd.	544.29	584.76	564.58	759.59	906.07	13.66 %
J B F Industries Ltd.	173.99	251.51	291.38	266.48	416.07	19.74 %
Alok Industries Ltd.	408.36	535.83	810.67	1248.6	1828.8	46.88 %
S Kumars Nationwide Ltd.	248.1	347.05	271.26	442.84	603.18	22.39 %
Vardhman Textiles Ltd.	359.67	356.32	400.89	541.97	895.81	25.16 %
Arvind Ltd.	291.66	228.97	257.06	309.44	384	8.89 %
S R F Ltd.	565.79	348.92	468.09	593.92	805.96	13.20 %

Garden Silk Mills Ltd.	153.6	170.85	155.11	235.09	298.64	17.93 %
Raymond Ltd.	148.67	91.52	119.35	128.7	216.62	11.56 %
Bombay Rayon Fashions Ltd.	92.48	212.46	321.29	387.52	540.86	51.19 %

Source: CMIE Prowess Software

One Way ANOVA Table							
	Intra-Class Correlation	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	0.18	0.00	0.72	3.16	4	45	0.0226
Average Measures	0.68	0.02	0.96	3.16	4	45	0.0226
One-way random effects model where people effects are random.							



Graph 3: Compounded Annual Growth Rate of OP of Selected Textile Companies

Regarding the Operating Profit of the ten textile companies, CAGR for the Operating Profit (OP) of Bombay Rayon Fashions Ltd. has been recorded with maximum score at 51.19; however, the lowest CAGR for the Operating Profit (OP) has been recorded of Arvind Ltd., which is in an alarming condition. Thereafter, Alok Industries Ltd. comes next with maximum CAGR of 46.88 percent. On the other hand, CAGR for the Operating Profit (OP) of Aditya Birla Nuvo Ltd. has been ciphered as 13.66 percent, and for for J B F Industries Ltd. it was recorded at 19.74 percent. CAGR of Operating Profit for S Kumars Nationwide Ltd., Vardhman Textiles Ltd., S R F

Ltd., Garden Silk Mills Ltd. and Raymond Ltd. remained as 22.39, 25.16, 8.89, 13.20, 17.93 and 11.56 percent respectively.

In order to study the variance in the Operating Profit in different years one way ANOVA has been applied. As we see that the computed value of F-test at (4, 45) degree of freedom at 5 percent level of significance is 3.16, which is less than the tabulated value 5.72. Hence, we accept our hypothesis and it is concluded that the Operating Profit do not vary significantly in different years.

Table 4: Earnings Per Share (EPS)

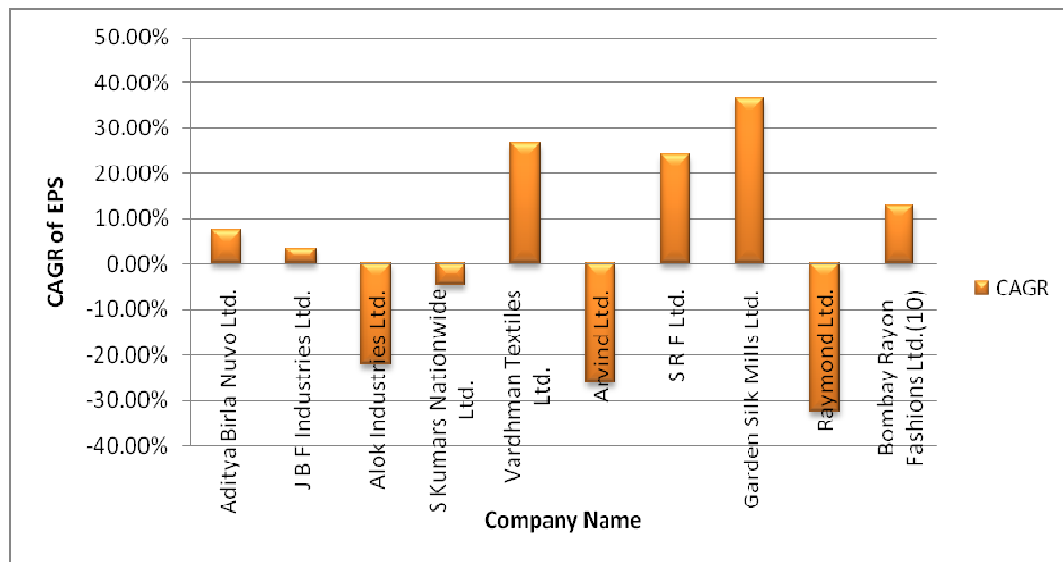
Company Name and Ranking	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	CAGR
Aditya Birla Nuvo Ltd.	24.11	25.58	14.46	27.51	33.45	7.55%
J B F Industries Ltd.	14.85	22.35	12.25	20.73	18.34	3.53%
Alok Industries Ltd.	9.68	10.61	9.56	3.14	5.13	-22.02%
S Kumars Nationwide Ltd.	5.58	8.48	2.69	4.49	6.06	-4.59%
Vardhman Textiles Ltd.	29.72	21.21	24.37	37	73.79	26.81%
Arvind Ltd.	1.21	1.25	-2.19	2.24	5.3	-26.12%
S R F Ltd.	42.58	20.44	26.91	51.14	79.9	24.31%
Garden Silk Mills Ltd.	6.07	10.45	17.27	16.51	22.95	36.58%
Raymond Ltd.	32.79	10.77	-44.05	4.3	-17.09	-32.45%
Bombay Rayon Fashions Ltd.	8.65	19.23	21.49	15.72	17.72	13.12%

Source: CMIE Prowess Software

One Way ANOVA Table							
	Intra-Class Correlation	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	-0.01	-0.08	0.40	0.92	4	45	0.461
Average Measures	-0.09	-2.36	0.87	0.92	4	45	0.461
One-way random effects model where people effects are random.							

With regard to the Earning Per Share (EPS) of various textile companies, CAGR for the EPS of Aditya Birla Nuvo Ltd. has been recorded at 7.55 percent with a steady rise except in the year 2009. The CAGR for the Earning per Share (EPS) of JBF Industries Ltd. has been recorded at 3.53 percent, for Vardhman Textiles Ltd., it has been recorded at 26.81 percent, and for SRF Ltd. 24.31 percent. Bombay Rayon Fashions Ltd.'s CAGR of EPS has been recorded at 13.12 percent. Golden Silk had the

highest CAGR of Earning Per Share of 36.58 percent. The remaining textile companies namely Alok Industries, S Kumar's Nationwide, Arvind Ltd and Raymond Ltd. recorded a negative CAGR at -22.02, -4.59, -26.12 and -32.45 percent respectively.



Graph 4: Compounded Annual Growth Rate of EPS of Selected Textile Companies

In order to study the variance in the Earning Per Share (EPS) in different years one way ANOVA has been applied. As we see that the computed value of F-test at (4, 45) degree of freedom at 5 percent level of significance is 0.92, which is less than the tabulated value 5.72. Hence, we accept our hypothesis and it is concluded that the Earnings Per Share (EPS) do not vary significantly in different years.

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