

Financial Health of Textile Industries in India: An Analytical Study On Solvency and Profitability

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ABSTRACT

One of India's biggest economic sectors is textiles, offering jobs plus income through exports. Still, staying financially steady gets tough because world markets push hard, material costs jump around, while buyers shift what they want. To understand how well some Indian textile firms are doing, researchers looked closely at their ability to survive and make money. They used number-based methods along with standard financial ratios for the check-up. Information came from official yearly summaries and business records collected across half a decade. Measures like cash readiness, loan burden compared to owner funds, earnings share, asset returns, and investment gains helped show overall strength. Though profits sit at average levels, worries emerge from how much debt piles up plus shaky cash flow handling. Fixing finances means reshaping funding mixes, running factories smarter, then building habits that last - key steps toward stronger balance sheets across India's fabric makers.

Keywords: Textile sector, Exports, Financial stability, Debt burden, Cash flow, Profitability, Operational efficiency, Global market pressures, Material cost fluctuations, Buyer preferences, Financial ratios,

1. INTRODUCTION

India's fabric-making sector plays a big role in the country's economy, adding value through jobs, output, and goods sent abroad. Even so, companies here struggle with money matters as making stuff gets pricier, world rivals grow sharper, and demand keeps shifting unpredictably. Looking closely at how well these businesses can stay afloat over time reveals much about their real strength. Staying able to pay off lasting

debts shows stability, whereas consistent profit signals smart use of funds and effort. Peering into both areas helps judge whether the field can hold its ground when pressures mount near home or far away.

2. NEED FOR THE STUDY

Heavy investment marks the fabric business, exposed often to surprises like swings in supply costs, rules on international selling, changes in what buyers want. Lately, many cloth makers faced mounting debts, profits shrinking, questions growing about how well they will last. Even though weaving cloth lifts India's earnings greatly, few solid reports exist digging deep into firm health - profit or staying power. To fill that space, this work steps in, showing clear pictures of where companies stand financially - for officials shaping laws, those placing money, heads guiding factories. Seeing these numbers clearly helps shape smarter moves, plan budgets better, push ahead stronger when facing world rivals.

3. REVIEW OF LITERATURE

The Indian textile industry is one of the largest contributors to the nation's economy, accounting for significant employment and export earnings. However, its financial performance has been subject to volatility due to global competition, raw material price fluctuations, and policy challenges.

Rashid, Srivastava, and Subhash (2021) highlighted that the Indian textile industry is highly fragmented, dominated by small and medium enterprises, and faces limited foreign investment due to unfavorable tax codes and policies. Their review emphasized structural weaknesses that affect long-term solvency and profitability.

Raval (2022) analyzed the financial performance of leading textile companies such as Trident Ltd., Arvind Ltd., Welspun Ltd., Vardhman Ltd., and Raymond Ltd. The study found that while profitability indicators showed growth potential, solvency ratios revealed concerns about debt dependency and liquidity management.

Janaiah (2023) noted that textiles account for nearly 20% of India's industrial production and one-third of exports. His research proposal emphasized the importance of financial performance analysis for investment decisions, liquidity management, and working capital efficiency in textile firms.

Together, these studies underscore the importance of analyzing solvency and profitability to assess the financial health of textile industries. While profitability has shown moderate improvement, solvency challenges persist due to debt reliance and weak liquidity structures.

4. RESEARCH GAP

Few papers look at both solvency and profit at once - research tends to pick one, leaving how they interact in Indian textile businesses unclear. Instead of comparing many companies side by side, much of what's written sticks to single cases or sweeping summaries that miss firm-specific shifts. Even though policy talk appears now and then, hard evidence linking taxes or state actions to financial outcomes remains sparse.

5. STATEMENT OF THE PROBLEM

Even though India’s fabric sector helps the economy grow, money troubles have built up because debts keep climbing, cash flow is tight, sometimes profits disappear. Firms struggle to stay solvent without losing profit, raising doubts about lasting success or expansion chances. Past studies show broad trends in how the business performs yet skip detailed number-based checks on safety and earnings power. The real issue? Figuring out if clothing makers can pay big bills years down the line even as prices get slashed overseas.

6. OBJECTIVES OF THE STUDY

1. To analyze the solvency position of selected textile industries in India using financial ratios.
2. To evaluate the profitability performance of textile firms over a five-year period.
3. To examine the relationship between solvency and profitability indicators.
4. To suggest measures for improving financial health and sustainability of textile firms.

RESEARCH METHODOLOGY

RATIO ANALYSES OF TEXTILE INDUSTRY IN INDIA

	FINANCIAL YEAR	Page Industries Limited	Vardhman Textiles Limited	Arvind Limited	Trident Limited	Welspun Living Limited
CURRENT RATIOS	2014-2015	1.78	1.66	0.91	0.69	0.93
	2015-2016	1.80	1.53	0.90	0.75	0.92
	2016-2017	1.94	1.67	0.84	0.89	1.19
	2017-2018	2.01	2.48	0.82	0.88	1.25
	2018-2019	1.77	2.27	0.84	1.01	1.09
	2019-2020	1.65	2.75	0.77	0.91	1.10
	2020-2021	1.64	3.34	0.94	0.91	1.24
	2021-2022	1.57	2.89	0.94	1.07	1.32
	2022-2023	1.49	3.87	0.96	1.20	1.52
	2023-2024	1.77	2.92	0.98	1.46	1.62
	MIN	1.49	1.53	0.77	0.69	0.92
	MAX	2.01	3.87	0.98	1.46	1.62
	AVERAGE	1.74	2.54	0.89	0.98	1.22
	S.D	0.16	0.77	0.07	0.22	0.23
	CV	0.09	0.30	0.08	0.23	0.19
CAGR	-0.05	5.78	0.72	7.75	5.67	
AAGR	0.31	8.86	1.10	9.12	6.89	
QUICK RATIOS						
	2014-2015	0.33	0.65	0.30	0.17	0.44
	2015-2016	0.32	0.61	0.29	0.18	0.34

	2016-2017	0.45	0.82	0.28	0.34	0.60	
	2017-2018	0.86	1.10	0.32	0.34	0.70	
	2018-2019	0.33	0.79	0.32	0.45	0.65	
	2019-2020	0.35	1.06	0.37	0.37	0.60	
	2020-2021	0.81	1.23	0.44	0.32	0.64	
	2021-2022	0.49	1.27	0.34	0.41	0.75	
	2022-2023	0.13	2.05	0.38	0.47	0.75	
	2023-2024	0.52	0.81	0.38	0.59	0.86	
	MIN	0.13	0.61	0.28	0.17	0.34	
	MAX	0.86	2.05	0.44	0.59	0.86	
	AVERAGE	0.46	1.04	0.34	0.36	0.63	
	S.D	0.23	0.42	0.05	0.13	0.15	
	CV	0.50	0.41	0.15	0.35	0.24	
	CAGR	4.60	2.16	2.46	13.26	6.99	
	AAGR	42.47	9.79	3.46	17.98	10.52	
DEBTORS TURNOVER RATIO							
		2014-2015	19.10	8.11	10.65	15.65	15.32
		2015-2016	18.88	7.71	11.75	15.40	13.55
		2016-2017	19.81	7.61	12.87	14.17	10.74
		2017-2018	19.47	8.04	10.30	10.59	6.79
		2018-2019	20.74	8.55	8.95	9.19	6.84
		2019-2020	29.34	8.09	8.28	9.98	6.65
		2020-2021	26.40	6.50	4.94	12.31	7.93
		2021-2022	25.17	7.98	7.34	14.13	8.64
		2022-2023	29.60	7.79	8.17	15.63	8.67
		2023-2024	29.59	7.68	7.99	19.47	12.61
		MIN	18.88	6.50	4.94	9.19	6.65
		MAX	29.60	8.55	12.87	19.47	15.32
		AVERAGE	23.81	7.81	9.12	13.65	9.77
		S.D	4.68	0.53	2.32	3.16	3.11
	CV	0.20	0.07	0.25	0.23	0.32	
	CAGR	4.47	-0.55	-2.84	2.21	-1.93	
	AAGR	5.88	-0.04	-0.37	3.77	0.32	
DEBT EQUITY RATIO							
		2014-2015	0.41	0.81	1.07	1.77	1.72
		2015-2016	0.18	0.70	1.08	2.12	1.35
		2016-2017	0.13	0.55	0.81	1.45	1.25
		2017-2018	0.08	0.49	0.81	1.40	1.12
		2018-2019	0.11	0.43	0.94	1.10	1.01
		2019-2020	0.22	0.39	0.85	0.89	0.81
	2020-2021	0.14	0.35	0.68	0.60	0.42	

	2021-2022	0.10	0.26	0.59	0.51	0.38
	2022-2023	0.30	0.20	0.43	0.41	0.52
	2023-2024	0.12	0.20	0.38	0.58	0.53
	MIN	0.08	0.20	0.38	0.41	0.38
	MAX	0.41	0.81	1.08	2.12	1.72
	AVERAGE	0.18	0.44	0.76	1.08	0.91
	S.D	0.10	0.21	0.24	0.59	0.45
	CV	0.58	0.47	0.32	0.54	0.50
	CAGR	-11.80	-12.96	-9.81	-10.59	-11.21
	AAGR	8.92	-13.96	-9.90	-9.07	-9.91
SOLVENCY RATIO	FINANCIAL YEAR	Page Industries Limited	Vardhman Textiles Limited	Arvind Limited	Trident Limited	Welspun Living Limited
	2014-2015	0.19	0.12	0.07	0.09	0.15
	2015-2016	0.27	0.05	0.06	0.08	0.17
	2016-2017	0.25	0.19	0.03	0.12	0.11
	2017-2018	0.26	0.10	0.06	0.11	0.12
	2018-2019	0.31	0.11	0.06	0.12	0.08
	2019-2020	0.26	0.10	0.06	0.12	0.14
	2020-2021	0.23	0.08	0.05	0.12	0.14
	2021-2022	0.28	0.19	0.03	0.18	0.11
	2022-2023	0.24	0.10	0.08	0.11	0.06
	2023-2024	0.24	0.09	0.07	0.10	0.12
	MIN	0.19	0.05	0.03	0.08	0.06
	MAX	0.31	0.19	0.08	0.18	0.17
	AVERAGE	0.25	0.11	0.06	0.11	0.12
	S.D	0.03	0.04	0.02	0.03	0.03
	CV	0.13	0.40	0.29	0.22	0.25
	CAGR	2.45	-2.79	0.14	0.70	-2.47
	AAGR	4.19	24.90	13.33	3.93	4.21
EXPENSE RATIO						
	2014-2015	92.05	91.70	94.77	99.33	90.57
	2015-2016	91.48	88.35	95.11	93.61	87.38
	2016-2017	92.12	85.52	101.32	92.40	96.76
	2017-2018	84.04	91.83	95.33	93.90	92.83
	2018-2019	91.60	89.53	96.95	93.61	96.27
	2019-2020	87.43	92.42	96.53	93.58	94.10
	2020-2021	81.18	92.95	95.17	92.62	90.02
	2021-2022	90.94	87.00	105.94	89.51	94.69
	2022-2023	103.69	92.49	94.64	94.12	96.81
2023-2024	80.25	92.72	96.46	95.75	95.33	

	MIN	80.25	85.52	94.64	89.51	87.38
	MAX	103.69	92.95	105.94	99.33	96.81
	AVERAGE	89.48	90.45	97.22	93.84	93.47
	S.D	6.78	2.67	3.63	2.50	3.21
	CV	0.08	0.03	0.04	0.03	0.03
	CAGR	-1.36	0.11	0.18	-0.37	0.51
	AAGR	-0.88	0.22	0.38	-0.36	0.68
GROSS PROFIT RATIO						
	2014-2015	32.66	18.47	25.40	23.44	29.91
	2015-2016	33.96	23.88	25.33	25.83	30.55
	2016-2017	33.07	24.81	22.91	24.60	28.54
	2017-2018	33.72	21.45	18.25	21.69	18.43
	2018-2019	34.56	24.35	19.33	26.16	16.62
	2019-2020	31.00	20.45	16.85	25.48	21.72
	2020-2021	30.15	20.15	16.80	24.54	21.58
	2021-2022	31.91	31.54	16.55	28.98	17.77
	2022-2023	32.22	19.20	18.48	22.69	11.55
	2023-2024	32.98	16.28	21.12	23.24	16.83
	MIN	30.15	16.28	16.55	21.69	11.55
	MAX	34.56	31.54	25.40	28.98	30.55
	AVERAGE	32.62	22.06	20.10	24.66	21.35
	S.D	1.35	4.31	3.42	2.09	6.41
	CV	0.04	0.20	0.17	0.08	0.30
CAGR	0.10	-1.25	-1.83	-0.09	-5.59	
AAGR	0.22	1.99	-1.43	0.75	-2.95	

RESULT AND DISCUSSION

Across the ten-year analysis, Page Industries demonstrates stable liquidity with a current ratio averaging 1.74 and consistently above 1, supported by healthy solvency (0.25) and strong gross profit margins (32.62), though its quick ratio fluctuates widely, indicating inconsistent immediate liquidity. Vardhman Textiles shows robust financial health with significant improvement in both current (average 2.54, max 3.87) and quick ratios (average 1.04, max 2.05), reflecting effective working capital management, while maintaining moderate profitability (22.06) and declining debt reliance (average debt-equity 0.44). Arvind Ltd. remains financially stressed, with a weak current ratio (0.89), poor quick ratio (0.34), declining debtor turnover (9.12, CAGR -2.84), high leverage (0.76), and elevated expense burden (97.22), all contributing to weak profitability (20.10). Trident Ltd. shows gradual improvement in liquidity (current ratio 0.98, quick ratio 0.36) and debtor turnover (13.65), but its high debt-equity ratio (1.08) and expense ratio (93.84) constrain profitability (24.66). Welspun Living Ltd. maintains moderate solvency (0.12) and liquidity (current ratio 1.22, quick ratio 0.63), but faces volatility in profitability (average gross profit 21.35, CAGR -5.59) due to fluctuating expenses. Overall, Page Industries and Vardhman Textiles exhibit resilience and

financial stability, while Arvind Ltd. and Trident Ltd. struggle with debt dependency and liquidity stress, and Welspun Living Ltd. shows profitability volatility, underscoring the need for debt restructuring, cost control, and improved receivables management across the sector

POLICY IMPLICATIONS

What this research shows points straight to real shifts needed in how India handles its fabric-making sector

Heavy borrowing by companies like Arvind Ltd. and Trident Ltd. shows why public backing for reshaping debt matters. Instead of leaning on loans, shifting toward share-based funding might help. Solvency gets a boost when rules nudge firms away from reliance on credit.

Funding gaps show up when cash measures fall short. Because of that, quick fixes like emergency credit matter more. When banks open doors to cheaper loans, stress eases a little. Guarantees behind those debts make lenders less nervous. Some governments already back such programs - others lag behind. Without breathing room, operations tighten overnight. Relief often hides in routine financing tools. Steady flow keeps shelves stocked, workers paid. Temporary aid sometimes becomes permanent need.

High costs at some companies point to trouble in how things are made or run. Because of this, support from the government - like help buying new tools or cutting power use - might lower spending. When factories waste less, profits often rise without pushing prices up.

One reason some companies struggle? Slower payments from customers. Take Arvind Ltd., where collections are taking longer than before. When debtors delay, it shows gaps in how money owed is handled. Tighter rules on who gets credit might help fix that. Instead of loose terms, clearer limits could reduce risk. Digital invoices tend to speed things up compared to paper ones. Systems that track bills automatically often cut delays. Better oversight means fewer overdue accounts piling up. Efficiency climbs when follow-ups happen faster. Rules matter most when they're applied consistently. A small shift in policy may lead to steadier cash flow.

Staying ahead on the world stage means companies weave green practices into daily work. When rules back clean manufacturing, reuse systems, and meeting global benchmarks, profits often grow over time while doors open to new markets.

Finding new ways to handle money might start with a workshop. Smaller fabric businesses often struggle to stay profitable. Learning how costs add up could change that. Instead of guessing expenses, some owners begin tracking them closely. Digital tools arrive slowly but make a difference over time. When systems update, mistakes drop. Workers adapt when support is steady. Better records lead to smarter choices. Staying in business longer becomes possible through small shifts like these.

SUGGESTIONS

Start by reshaping debt loads while bringing in fresh equity cash. On another note, tighten up how customer payments are handled to keep money flowing freely. Watch spending closely so overhead stays

low over time. Work smarter every day, then build habits that last without harming resources. Think of Vardhman Textiles - solid cash reserves can open doors when growth chances appear.

Starting off strong, Arvind Ltd. might ease financial strain by tightening control over daily operations cash flow. Meanwhile, a shift toward smarter inventory handling could help Trident Ltd. rely less on borrowed funds. Instead of leaning on loans, both companies may find stability in streamlining receivables and payables. With sharper oversight, their ability to cover short-term needs can grow steadily. A clearer grip on operational timing often frees up trapped money. Over time, disciplined routines in spending and collection cycles tend to build resilience naturally.

One way to help Welspun Living Ltd. is trimming unnecessary costs without cutting corners. Efficiency gains often come from rethinking how daily tasks flow across departments. Profits tend to steady when outflows shrink at a reliable pace. Small changes in workflow can add up over time - quietly but surely. Keeping margins healthy means watching every step of production closely. A smoother process usually leads to fewer surprises later on.

Staying solvent looks likely for Page Industries - yet shaky quick ratios need steadier footing. Balance matters more when short-term liquidity wobbles show up. Even solid foundations can feel pressure from sudden cash shifts. Watchful adjustments might prevent bigger swings down the line. Strength today doesn't cancel out tomorrow's risks. Smoothness in working capital flow could make a difference.

A solid cash position gives Vardhman Textiles room to grow - yet care is needed not to stretch too far. Building step by step keeps risks low. Strength shows best when it lasts.

With tighter budgets, companies across sectors might rethink spending. Debt payoffs could stretch out, giving breathing room. Cash flow may improve when customer payments get more attention. Solid finances often follow such moves. Profits stand a chance if these steps stick.

CONCLUSION

Looking at the numbers, Page Industries and Vardhman Textiles stand out thanks to solid profit records and stable balance sheets. Arvind Ltd., though, leans too much on borrowed money, which hurts its ability to stay liquid - same goes for Trident Ltd. Welspun Living? It's caught in a squeeze, spending more than it should while profits dip lower each quarter. Not every player is struggling; a few hold firm despite wider pressure across India's fabric makers. Some need deep internal shifts just to keep pace. Better cash handling, smarter cost decisions, and cleaner funding setups would lift long-term strength right now.

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