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A STUDY ON ASSET AND LIABILITY MANAGEMENT OF LOYAL TEXTILE MILLS LIMITED AT CHENNAI

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ABSTRACT
Asset and Liability Management (ALM) plays a vital role in maintaining the financial stability, liquidity, and profitability of an organization. This study examines the asset and liability management practices of Loyal Textile Mills Ltd. using financial data collected from the company's annual reports for the period 2020–2025. The study aims to analyze the company's liquidity position, asset utilization efficiency, solvency, and profitability through various financial ratios. Based on secondary data and an analytical research design, financial tools such as Ratio Analysis, Common Size Balance Sheets, and Compound Annual Growth Rate (CAGR) were used to evaluate financial performance. The findings indicate that the company maintained a strong liquidity position with continuous improvement in current and liquidity ratios, while the proprietary ratio showed an increasing trend, reflecting a strong financial base and greater creditor confidence. The total asset turnover ratio demonstrated efficient asset utilization in generating sales; however, profitability indicators such as Return on Assets and Return on Shareholders' Funds fluctuated during the study period. The study concludes that Loyal Textile Mills Ltd. has maintained sound asset and liability management practices, ensuring adequate liquidity and financial stability, although further improvements in profitability and asset utilization could enhance its long-term financial performance and sustainability.
KEYWORDs: *Asset and Liability Management, Financial Performance, Liquidity, Profitability, Ratio Analysis, Textile Industry, Loyal Textile Mills Ltd.*

INTRODUCTION

Asset and Liability Management (ALM) is an important financial practice that helps organizations balance assets and liabilities to maintain liquidity, profitability, and long-term financial stability. In the textile industry, where substantial investmen

ts are made in fixed assets and working capital, effective ALM is essential for growth and competitiveness.
Loyal Textile Mills Ltd. operates in a dynamic business environment where efficient management of assets and liabilities significantly affects financial performance and sustainability. This study analyzes the company's ALM practices during 2020–2025 using key financial indicators related to liquidity, solvency, profitability, and asset utilization. The findings provide insights into the effectiveness of the company's financial management and offer suggestions for improving overall financial performance.

REVIEW OF LITERATURE

Choudhry M.and Other (2019) The authors in their paper titled "Asset and Liability Management: Strategy, Trading, Analysis book" have opined that company are a vital part of the global economy, and the essence of the company is asset-liability management (ALM). This book is a comprehensive treatment of an important financial market discipline. A reference text for all those involved in industry and the debt capital markets, it describes the techniques, products and art of Assets and Liability Management. Subjects covered include capital, money market trading, risk management, regulatory capital and yield curve analysis.

Kosmidou K. (2019), Were stated in their Paper – "A multi criteria methodology for asset liability management" the authors present an Asset Liability Management (ALM) technique, which combines a goal programming model with a simulation analysis to determine the balance sheet of a company. To attain this goal, the author analyzed the balance sheet of a company facing conflicting goals such as returns, liquidity, solvency, and expansion of deposits and loans under uncertainty. An optimizer was embedded in a simulation model to obtain different optimal solutions for a set of interest rate scenarios, while a sensitivity analysis explored the effects of alterations in the order of goal priorities.

P.M. joshi (2020) in a study on asset liability mismatch points out that ever since the commencement of the reform process, among the various concept and terminologies that have swarmed financial sector[16- 21]. Asset – liability

mismatch stand out prominently with the liberalization process, banks will have to be extremely watchful of the maturity pattern of their liabilities to avoid any danger of mismatch when the fund are deployed in different in different manufacturing or trading units

Jayanthi M and Other (2024) The authors in their paper titled; "Asset Liability Management" have opined that, since textile industry reforms, industry are now operating in a fairly deregulated environment and are required to determine on their own, interest rates on deposits and advances. Intense competition coupled with increasing volatility in the interest rates exposed the company to several major risks in the course of their business viz, credit risk, interest rate risk, foreign exchange risk, equity/ commodity price risk, liquidity risk and operational risks. It is the task of ALM not to avoid risk, but to manage it, to keep different types of risk within acceptable levels, whilst to sustain profitability. The objective behind all these measures is to make company fully prepared to face the emerging challenges.

Petty Aprilia and Imam Hidayat (2023) This research analyzes the financial performance of three Indonesian textile companies over a ten-year period. Using financial ratios like liquidity (current ratio, quick ratio), solvency (debt to assets, debt to equity), and profitability (net profit margin, return on assets), the authors found that liquidity performance varied significantly among companies. The study highlights how financial statements are crucial for making informed business decisions and provides a detailed look at the financial health of specific firms in the industry.

STATEMENT OF THE PROBLEM

Loyal Textile Mills faces challenges in managing assets and liabilities due to changing production, sales, and financing conditions. While inventory provides operational flexibility, it also creates risks such as overstocking, liquidity issues, and asset-liability mismatches. The study is limited by restricted financial data, confidentiality concerns, and a five-year analysis period. Therefore, evaluating the company's asset and liability management is essential to maintain profitability, liquidity, and competitiveness in domestic and international markets.

OBJECTIVES OF THE STUDY

- To study the concept of asset & liability management
- To analyze the effects of earning asset on profitability of textile firm
- To examine the effects of macro-economic factors on profitability of private textile firm

SCOPES OF THE STUDY

Finished goods inventories help to decouple production for sales production does not need to be geared directly to sales. It is cheaper to produce in large quantities and at a steady rate over time. It plays a very important role in the production and sales product by providing flexibility to the firm in its purchasing production scheduling and in its marketing. The firm can achieve economies of the production and purchasing and can fill customer orders more quickly by maintaining sufficient inventories

LIMITATIONS OF THE STUDY

- As the work in descriptive in manner conclusion and observation are general in nature.
- As in any case time is limited to collect & analyze data, the study is limited for a period of 5 years only. Some of information was kept confidential
- The secondary data sources does not enough for my research study due to period constrain
- Detail study about all the materials was not possible because of time limit.

RESEARCH METHODOLOGY

The study adopted an analytical research design to evaluate the financial performance of the company over a period of five years from 2021 to 2025. The research was based entirely on secondary data collected from published sources such as annual reports, magazines, company documents, and other financial records. The collected data were analyzed using various financial analysis techniques, including Ratio Analysis, Common Size Balance Sheet Analysis, and Compound Annual Growth Rate (CAGR), to assess the company's financial position and performance.

ANALYSIS AND INTERPRETATION

3.1 CURRENT RATIO

Current ratio is the most common ratio for measuring liquidity. The current ratio is the ratio of total current assets to total current liabilities. Current ratio of affirm measures its term solvency i.e. ability to meet short term

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obligations. Current assets mean assets that will either be used up or converted into cash within a year's time or during the normal operating cycle of the business, whichever is longer.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

TABLE NO 3.1
CURRENT RATIO

YEAR	CURRENT ASSET[A]	CURRENT LIABILITY[B]	CURRENT RATIO = [A] / [B]
2020-2021	3949.52	1189.99	3.32
2021-2022	4074.65	1071.31	3.80
2022-2023	4593.78	1059.52	4.34
2023-2024	5441.46	1056.62	5.15
2024-2025	4686.77	889.78	5.27

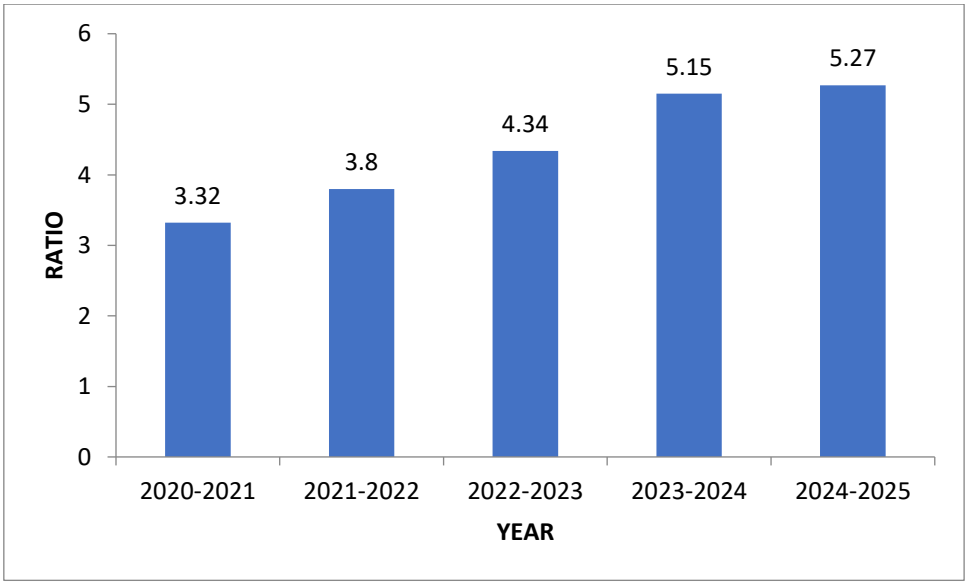
Source: Secondary data

INFERENCE

The current ratio of the company indicates its adequate employment of funds. In the year 2020-2021 current ratio is 3.32 and again increased to 3.80 in the 2021-2022. This situation shows increasing tendency of current ratio. In the next year 2022-2023 there is a increase in current ratio that is from 4.34 then increased to 5.15. In the year 2024-2025 current ratio is 5.27 the final position of current ratio is increasing trend.

The current ratio is increasing trend during the study period.

CHART NO 3.1
CURRENT RATIO



3.2 FIXED ASSET RATIO

The ratio establishes the relationship between fixed assets and long-term funds. The objective of calculating this ratio is to ascertain the proportion of long-term funds invested in fixed assets. The ratio is calculated as given below:

Formula

$$\text{Fixed assets ratio} = \frac{\text{Fixed assets}}{\text{Long – term funds}}$$

The ratio should not generally be more than '1'. If the ratio is less than one it indicates that a portion of working capital has been financed by long – term funds. It is desirable in that part of working capital is core working capital and it is more or less a fixed item.

An ideal fixed assets ratio is 0.67

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TABLE NO 3.2
FIXED ASSETS RATIO

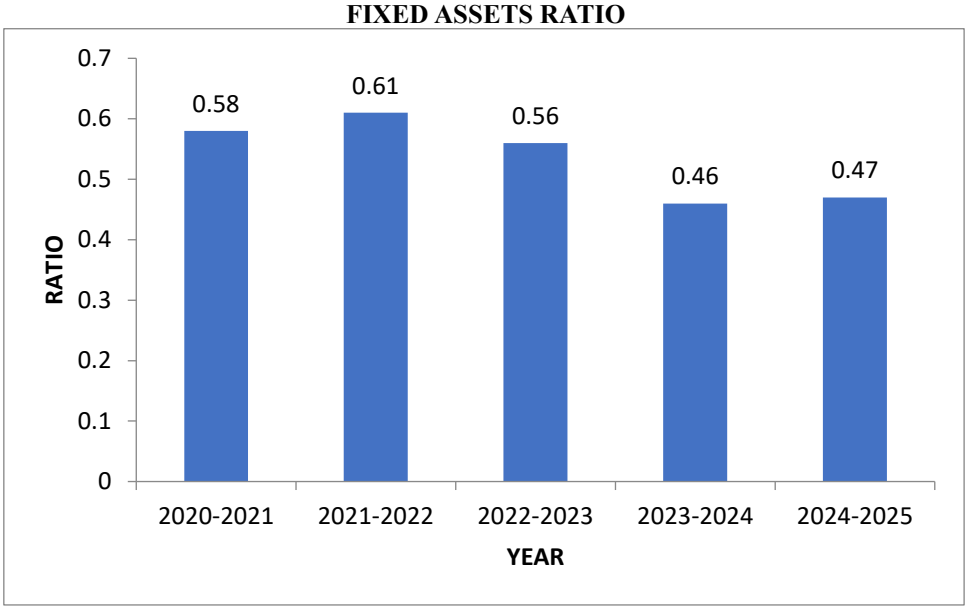
YEAR	FIXED ASSETS	LONG TERM FUNDS	RATIO
2020-2021	3058.84	5239.10	0.58
2021-2022	3481.12	5666.21	0.61
2022-2023	3399.72	6032.51	0.56
2023-2024	3435.69	7539.12	0.46
2024-2025	3927.59	8293.99	0.47

Source: secondary data

INTERPRETATION

Table - 4.2 shows the fixed assets ratio during the period 2020-21 to 2024-25. The table indicates that the company has 0.58 in the year of 2020-21 then next year increased to 0.61 in 2021-22. The last year increase 0.47 in the year of 2024-25 The Fixed asset ratio is decreasing in year by year, so the Fixed asset ratio is decreasing trend in this study period.

CHART NO 3.2
FIXED ASSETS RATIO



3.3 LIQUIDITY RATIO

The term „liquidity" refers to the ability of a firm to pay its short-term obligation and when they become due. The term quick assets or liquid assets refers current assets which can be converted into cash immediately and it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities.

$$\text{Liquidity ratio} \quad \frac{\text{Liquid assets}}{\text{Current liabilities}}$$

TABLE NO 3.3
LIQUIDITY RATIO

YEAR	LIQUID ASSETS	CURRENT LIABILITIES	RATIO
2020-2021	1507.39	1189.99	1.27
2021-2022	1568.49	1071.31	1.46
2022-2023	1969.58	1059.52	1.86
2023-2024	2634.79	1056.62	2.49
2024-2025	2374.61	889.78	2.67

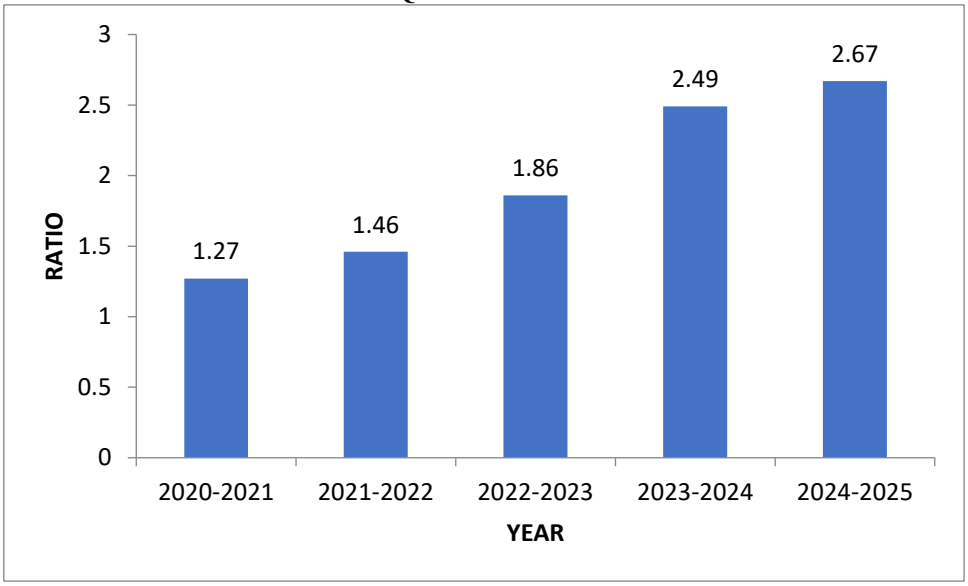
Source: secondary data

INTERPRETATION

The above table shows that the liquidity ratio during the study period is 1.27 in the year of 2020-21 and further increased to 1.46in 2021-22 then increased to 1.86in the year of 2022-23 and then last year increased to 2.67. It has been increasing and the abnormal ratio. Hence the firm is controlling its stock position because there are in-linear relationship between current ratio and liquidity ratio.

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CHART NO 3.3
LIQUIDITY RATIO



3.4 TOTAL ASSETS TURNOVER RATIO

The total assets turnover ratio measures the ability of a company to use its assets to generate sales. This ratio indicates how much Birr in sales the company squeezes out of Birr it has invested in assets. It considers all assets including fixed assets, like plant and equipment, as well as inventory and accounts receivable.

It measures a company's efficiency at using its assets in generating sales or revenue - the higher the total assets turnover ratio, the more efficient is the management and utilization of the assets while low total assets turnover ratios are indicative of underutilization of available resources and presence of idle capacity. The lower the total asset turnover ratio, as compared to historical data for the firm and industry data, the more sluggish the firm's sales. Gitman, (2004). This may indicate a problem with one or more of the asset categories composing total assets - inventory, receivables, or fixed assets. The company should analyze the various asset classes to determine where the problem lies.

It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover.

$$\text{Total Asset Turnover ratio} = \frac{\text{Sales}}{\text{Total Asset}}$$

TABLE NO 3.4
TOTAL ASSETS TURNOVER RATIO

YEAR	SALES	TOTAL ASSET	RATIO
2020-2021	6414.58	7179.13	0.89
2021-2022	6325.15	7655.37	0.83
2022-2023	5787.64	7879.23	0.73
2023-2024	9386.10	9519.43	0.99
2024-2025	9840.79	9971.10	0.99

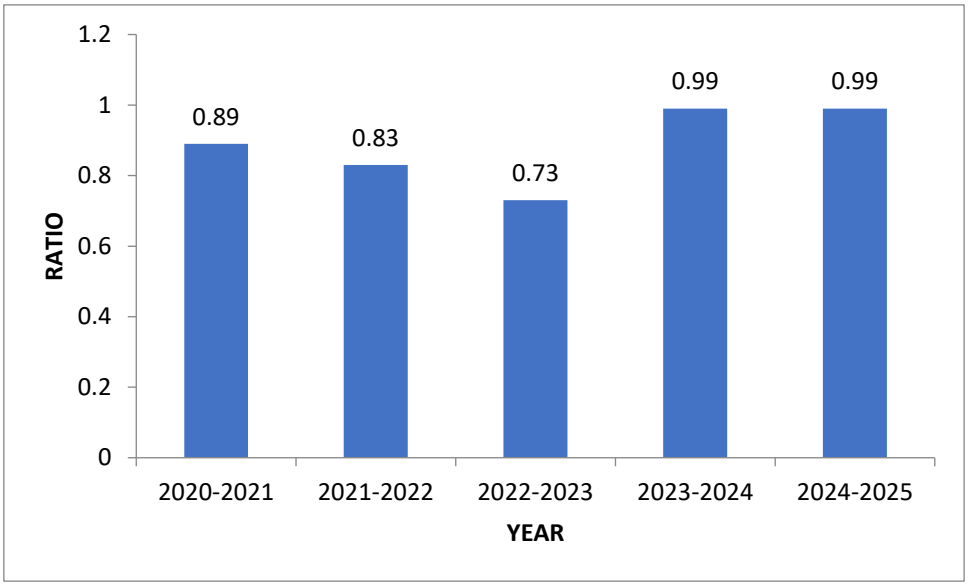
Source: secondary data

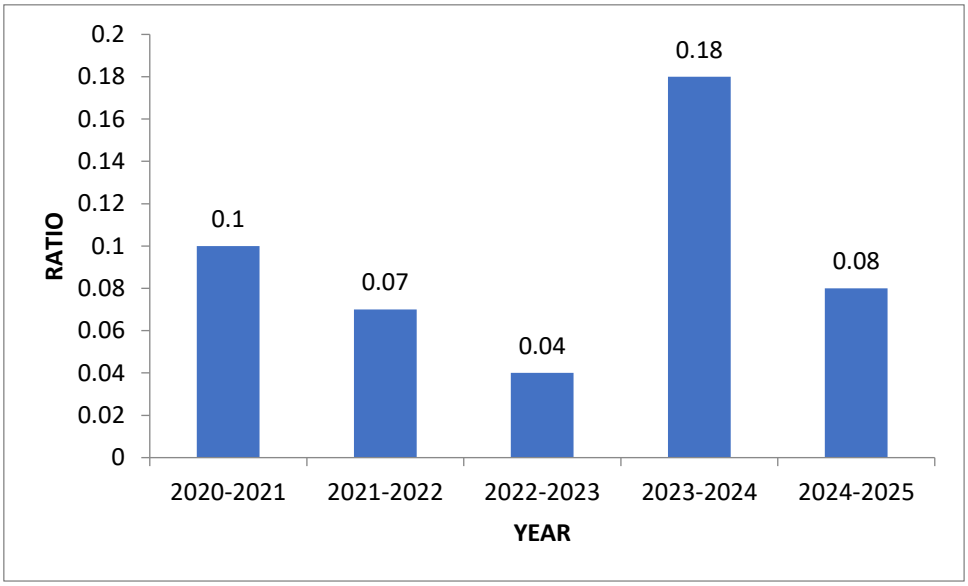
INTERPRETATION

The above table shows that the Total assets turnover ratio of the company during the study period. It was 0.89 in the year 2020-21 and then reached up to 0.83 again in the next year 2021-22 onwards it decreased to 0.73. It was increased from the year 2024-25 is 0.99. Hence the company is maintaining its good level position of assets. The Total assets turnover ratio was increasing trend.

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CHART NO 3.4
TOTAL ASSETS TURNOVER RATIO





3.5 PROPRIETARY RATIO

Proprietary ratio relates to the proprietors funds to total assets. It reveals the owners contribution to the total value of assets. This ratio shows the long-time solvency of the business. It is calculated by dividing proprietor's funds by the total tangible assets.

$$\text{Proprietary ratio} = \frac{\text{Shareholders' fund}}{\text{Total tangible Assets}}$$

Shareholders fund = Share capital + Reserves and Surplus
Total tangible Assets = fixed assets + Current assets + Investment

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TABLE NO 3.5
PROPRIETARY RATIO

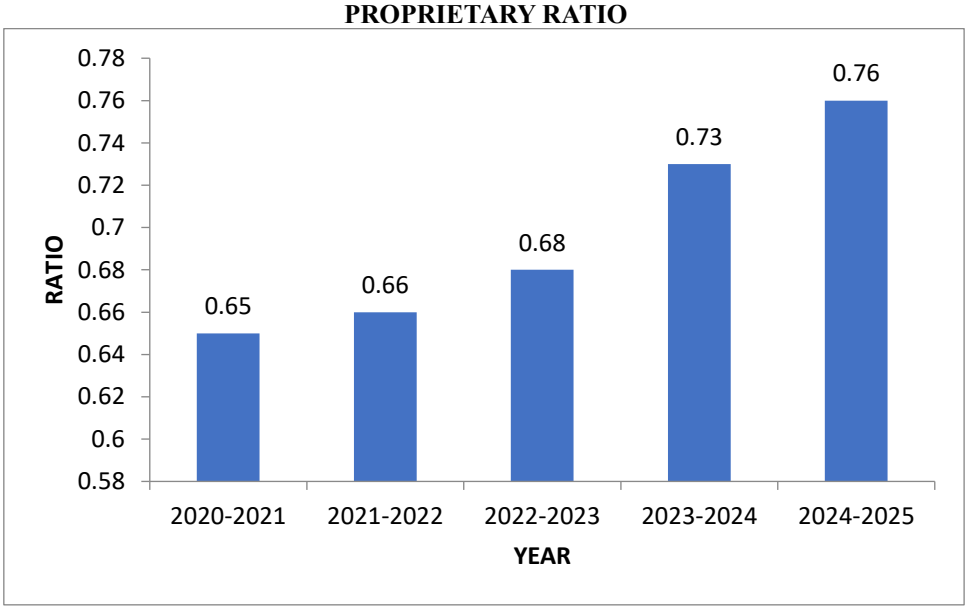
YEAR	SHAREHOLDER'S FUNDS	TOTAL TANGIABLE ASSETS	RATIO
2020-2021	5239.10	8095.49	0.65
2021-2022	5666.21	8587.26	0.66
2022-2023	6032.51	8864.83	0.68
2023-2024	7539.12	10335.03	0.73
2024-2025	8293.99	10860.88	0.76

Source: secondary data

INFERENCE

Proprietary ratio refers to a ratio which helps the creditors of the company in seeing that their capital or loans which the creditors have given to the company are safe. Proprietary ratio can be calculated as follows – proprietors funds/total assets. From the table above its indicate that from the year 2021 to 2025 with the ratio value of 0.65, 0.66, 0.68, 0.73, 0.76this industry was aincreasing position to pay all of its creditor.

CHART NO 3.5
PROPRIETARY RATIO



3.6 COMPOUND ANNUAL GROWTH RATE - CAGR

The year-over-year growth rate of an investment over a specified period of timeThe compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered. This can be written as follows:

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\#\text{ of years}}\right)} - 1$$

TABLE NO 3.16
COMPOUND ANNUAL GROWTH RATE

YEAR	CURRENT ASSET
2021	3949.52
2022	4074.65
2023	4593.78
2024	5441.46
2025	4686.77

Source: Secondary Data

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$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\#\text{ of years}}\right)} - 1$$

$$= \left(\frac{4686.77}{3949.52}\right)^{\left(\frac{1}{5}\right)} - 1$$

CAGR = -0.76

INFERENCE

From the above analysis the researcher found that the compound annual growth rate is **-0.76** between the year 2024 and 2025.

FINDINGS

- Current Ratio: The current ratio increased from 3.32 (2020–21) to 5.27 (2024–25), indicating strong liquidity and an increasing trend throughout the study period.
- Fixed Assets Ratio: The fixed assets ratio showed an overall decline from 0.58 (2020–21) to 0.47 (2024–25), reflecting a decreasing trend during the study period.
- Absolute Liquidity Ratio: The absolute liquidity ratio fluctuated between 0.03 and 0.42, reaching its highest level of 0.42 in 2024–25, indicating improved liquidity.
- Return on Assets (ROA): The ROA remained stable at 0.10 from 2020–21 to 2023–24 and declined to 0.08 in 2024–25, showing a fluctuating trend.

SUGGESTIONS

This paper incorporates actively managed liabilities into a portfolio allocation model. It divides liability management into planned and reactive components, allowing managers to respond to deposit withdrawals and increased loan demand. The study shows that liability management affects both expected profits and profit risk, creating a risk–return trade-off. Key findings suggest that restrictive regulations encourage liability management, while removing such regulations could reduce inefficiencies. The model also concludes that liability management should not be a major concern if it is handled by rational, risk-averse managers.

CONCLUSION

This study analyzed the Asset and Liability Management (ALM) practices of Loyal Textile Mills Ltd. from 2020–2025. The findings indicate that effective management of assets and liabilities plays a vital role in maintaining liquidity, profitability, and financial stability. The analysis of key financial ratios highlights the company's financial performance and operational efficiency, while also identifying areas for improvement to strengthen long-term growth and sustainability.

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