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COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF RAYMOND LTD & ARVIND LTD (FY 2013-18)

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CHAPTER-1
INTRODUCTION

1.1 FINANCIAL PERFORMANCE ANALYSIS

Financial performance analysis includes analysis and interpretation of financial statements. In such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial performance analysis identifies the financial strengths and weaknesses of the firm. It is by properly establishing relationships between the items of the balance sheet and profit and loss account.

The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements. It is to obtain a better understanding of the firm's position and performance. The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, financial performance analysis is the process of selection, relation and evaluation.

1.2 INDIAN TEXTILES & APPAREL INDUSTRY

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. The industry has a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. The textiles industry is also labour intensive. The sector contributes 14% to industrial production, 4% to India's Gross Domestic Product (GDP) and 15% to the country's export earnings. It is the second largest employment provider in the country employing nearly 51 million people directly and 68 million people indirectly. Exports have been a core feature of India's textile sector. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

1.3 OBJECTIVE OF THE STUDY

1. To know the strength and weakness of Raymond Ltd & Arvind Ltd.
2. To evaluate the performance of Raymond Limited & Arvind Ltd.
3. To understand the liquidity, profitability and efficiency position of the companies.
4. To make comparison between the ratios during different periods.
5. To analyze the financial changes over a period of five years.

1.4 RESEARCH METHODOLOGY

DATA SOURCE

In order to fulfill the objectives of the study, data was gathered from secondary source. Collected mainly from annual report of the selected companies, journals, documents, internet and other published information. The study covers the period of 5 years i.e., from year 2013-14 to 2017-18. Simple graphs and diagrams are used to analyze the data.

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RELIABILITY AND VALIDITY

Secondary data for this study was taken from audited financial statements (Income Statement and Statement of Financial Position) of the company as fairly accurate and reliable. These data may be considered reliable for the study and the necessary checking was done.

MODE OF ANALYSIS

In this study, we analyze our data by employing ratio analysis, graphs, etc. Major tools used for the study are:

- Ratio analysis
- Comparative analysis

CHAPTER-2 RAYMOND LIMITED & ARVIND LIMITED -AN OVERVIEW

2.1 RAYMOND LIMITED

The Raymond Group was incorporated in 1925. Within a span of a few years, it transformed from being an Indian textile major to a global conglomerate. The group owns apparel brands like Raymond, Raymond ready to wear, Park Avenue, Park Avenue Woman, Makers and Made to Measure. Raymond manufactures the world's finest fabrics from wool to wool-blended worsted suiting to specialty ring denims as well as high value shirting. Raymond is one of the largest players in fabrics, designer wear, denim, cosmetics & toiletries, engineering files & tools, prophylactics and air charter services in national and international markets.

The Group has its corporate headquarters at Mumbai. The company sells through 700 stores and 20,000 multi branded stores. Trust, excellence and quality are some of the abiding values that have been associated with Raymond over the years. Raymond is the only company in the world to have a diverse product range of nearly 20,000 design and colours of suiting fabric to suit every age, occasion and style. Raymond commands over 60% market share in suiting in India. It ranks amongst the first three fully integrated manufacturers of worsted suiting in the world.

All plants are ISO certified, leveraging on cutting-edge technology that adheres to the highest quality parameters. Made to Measure stores is the latest concept of Raymond. Here the customer is promised that the material undergoes 150 machine cutting steps for the perfect finish. Today, the Raymond group is vertically and horizontally integrated to provide customers total textile solutions. Their strong in-house skills for research and development have always resulted in path-breaking new products. Over time, Raymond has mastered the craft of producing the finest suiting's in the world. It uses superfine wool and blending the same with superfine polyester and other specialty fibers.

2. ARVIND LIMITED

Arvind Ltd was incorporated in the year 1931 as Arvind Mills Ltd by three brothers Kasturbhai, Narottambhai and Chimanbhai. In the year 1934, they established themselves amongst the foremost textile units in the country. They are first company to bring globally accepted fabrics such as Denim, yarn dyed shirting fabrics & wrinkle free gabardines to India in the year 1986. In the year 1987, they started retail outlets for Arrow brand and became the first company to bring international shirt brand Arrow to India. Arvind Mills in 1985 has diversified into electronics by setting up a plant to manufacture electronic telephone exchanges (EPABX). They also entered into marketing pharmaceutical products and Black and White and colour television sets under the name Pyramid. During the year 2001-02, the company increased the number of Spindles and Stitching Machines by 2036 and 2038 respectively. In the next year, they further increased the number of Stitching machines by 7 to 2045. During the year 2003-04, the company expanded their shirts manufacturing capacity from 2.4 million pieces to 4.8 million pieces per annum. During the same year, their subsidiary company, Arvind Spinning Ltd commenced their operation. In March 2005, the company commenced their operations of producing Jeans Pant in Bangalore with the installed capacity of 4 million Pieces per annum. During the year 2005-06, new denim collection was launched which was aimed at the super premium brands of the USA, Europe, Japan, and Korea. The response to this collection was good and they have opened new venues for the denim division.

Arvind Limited is one of India's largest integrated textile and apparel companies with a strong retail presence and a pioneer of denim in India. Arvind has an unmatched portfolio of owned and licensed brands and retail formats. The company's own product brands include Flying Machine, Colt, Ruggers, and Excalibur. It has a joint venture in India with global major like Tommy Hilfiger and GAP. It also has retail brands like Megamart, The Arvind Store, Club America, Next and Debenhams. The company's principal business consists of manufacturing and marketing of Denim Fabric, Shirting Fabric, Shirts, Knitted Fabric and Garments. The company has production facilities at Ahmedabad, Mehsana, Gandhinagar, Pune and in Karnataka.

CHAPTER-3
A THEORETICAL FRAMEWORK

3.1 FINANCIAL PERFORMANCE

Financial performance refers to the act of performing financial activity. It is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time. It can also be used to compare similar firms across the industry or to compare industries or sectors in aggregation.

3.2 FINANCIAL PERFORMANCE ANALYSIS

Financial performance analysis is the process of receiving and analyzing a company's financial statements to make better economic decisions. In short, the firm itself as well as various interested groups such as managers, shareholders, creditors, tax authorities and others seeks answers to the following important questions:

1. What is the financial position of the firm at a given point of time?
2. How is the financial performance of the firm over a given period of time?

These questions can be answered with the help of financial analysis of a firm. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial performance analysis identifies the financial strengths and weaknesses of the firm. It is by properly establishing relationships between the items of the balance sheet and profit and loss account.

The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements. It is to obtain a better understanding of the firm's position and performance. The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, financial performance analysis is the process of selection, relation and evaluation. It is through the process of financial analysis that the key performance indicators such as liquidity, solvency, profitability as well as efficiency of the operations of a business entity may be ascertained. Financial analysis involves the uses of financial statements.

3.3 FINANCIAL STATEMENTS

A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a balance sheet, or may reveal a series of activities over a given period of time, as in the case of an income statement. Thus the term 'financial statement' basically refers to two main statements; 'The Balance Sheet' and 'The Income Statement'. A business may also prepare a Statement of Retained Earnings, a Statement of Changes in Financial Position and a Cash Flow Statement in addition to the above two statements.

3.3.1 Balance Sheet

The balance sheet shows the financial position of the firm at a given point of time. It provides an overview of how well the company is managing assets and liabilities. It represents all assets owned by the business at a particular moment of time and the claims (or equities) of the owners and outsiders against those assets at that time. It is in a way a snapshot of the financial condition of the business at that time and may be regarded as a static picture.

3.3.2 Income Statement

The Income Statement (also termed as Profit and Loss Account) is generally considered to be the most useful of all financial statements. It explains what has happened to a business as a result of operations between two balance sheet dates. For this purpose it matches the revenues and costs incurred in the process of earning revenues and shows the net profit earned or loss suffered during a particular period. The income statement reflects the performance of the firm over a given period of time. "Income statement is a summary of a firm's revenue and expenses over a specified period ending with net income or loss for a period".

However, financial statement do not reveal all the information related to the financial operations of a firm. But, they furnish some extremely useful information which highlights two important factors i.e.,

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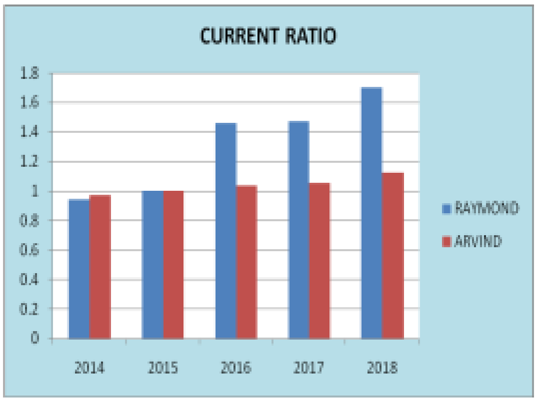
profitability and financial soundness. Thus analysis of financial statements is an important aid to financial performance analysis.

CHAPTER-4
ANALYSIS AND INTERPRETATION OF DATA

RATIO ANALYSIS

Table 4.1 ANALYSIS ON THE BASIS OF CURRENT RATIO

YEAR	RAYMOND	ARVIND
2014	0.94	0.97
2015	1	1
2016	1.46	1.03
2017	1.47	1.05
2018	1.7	1.12



CURRENT RATIO =CURRENT ASSETS/CURRENT LIABILITIES

According to standard rule current ratio is 2:1, where current asset double the current liability is considered satisfactory. In 2014 the current ratio of ARVIND LTD is increased by 0.3 more than that of RAYMOND LTD. In 2015 both the companies have same current ratio. From 2016 onwards both the companies showed a progress in current ratio. Even though both the companies do not give the ideal ratio from the analysis it can be concluded that RAYMOND is slightly higher than that of ARVIND.

Table 1.2 <u>ANALYSIS ON THE BASIS OF LIQUID RATIO</u>

YEAR	RAYMOND	ARVIND
2014	0.52	0.52
2015	0.64	0.51
2016	0.94	0.6
2017	0.96	0.64
2018	1.09	0.68

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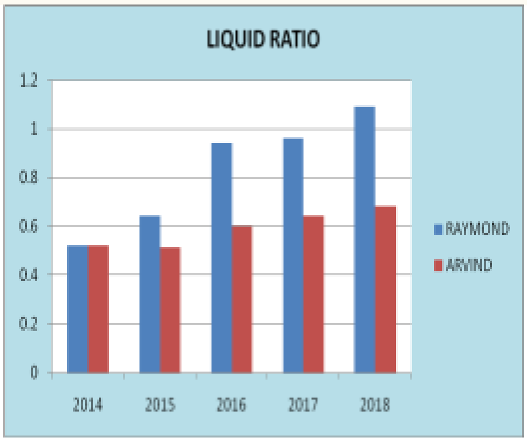


Liquid ratio shows the extent of cash and other current assets that are readily convertible into cash in comparison to the short term obligations. An ideal quick ratio is 1:1. In 2014 both the companies have same ratio. In 2015 the liquid ratio of ARVIND shows a slight decrease and from 2016 it shows a progress. For RAYMOND from 2015 onwards there is a progress. So it can be concluded that both the companies shows a progress.

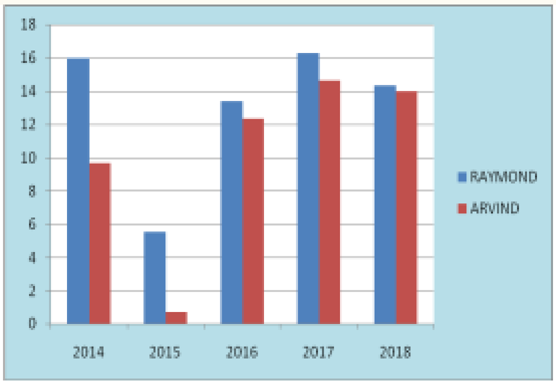
Table 1.3 ANALYSIS ON THE BASIS OF NET PROFIT RATIO

YEAR	RAYMOND	ARVIND
2014	3.25	3.89
2015	1.19	0.31
2016	2.93	5.89
2017	3.78	7.22
2018	4.03	7.56

Net profit ratio is a useful tool to measure the overall profitability of a business. A higher ratio indicates the efficent management of the affairs of the business. When comparing the net profit ratios of both companies, there is a progressive nature for Arvind Ltd except in the year 2015 and for Rymond Ltd except in 2015 and 2016 there is a progressive nature. It can be concluded that both the companies shows a progress in the ratio except in the year 2015.

Table 1.4 ANALYSIS ON THE BASIS OF EARNINGS PER SHARE

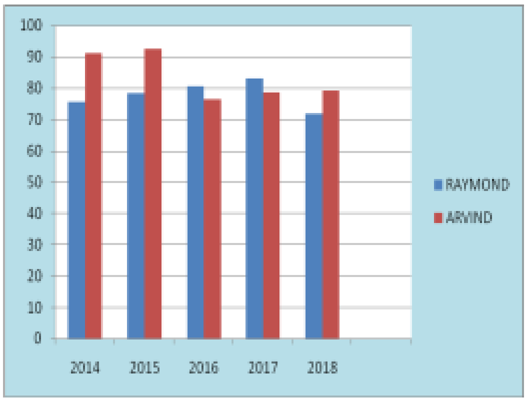
YEAR	RAYMOND	ARVIND
2014	15.98	9.67
2015	5.51	0.72
2016	13.37	12.35
2017	16.29	14.62
2018	14.36	14



EPS shows the amount of earnings attributable to each equity share. The higher the EPS the better it is. A higher EPS is the sign of higher earnings, strong financial position and therefore it is a reliable company to invest money. The EPS of Arvind Ltd in 2015 shows a decline and after it shows a progress except in 2018. For Raymond in 2015 it is declined and in other years it shows a progressive nature except in 2018.

Table 1.5 ANALYSIS ON THE BASIS OF ASSET TURN OVER RATIO

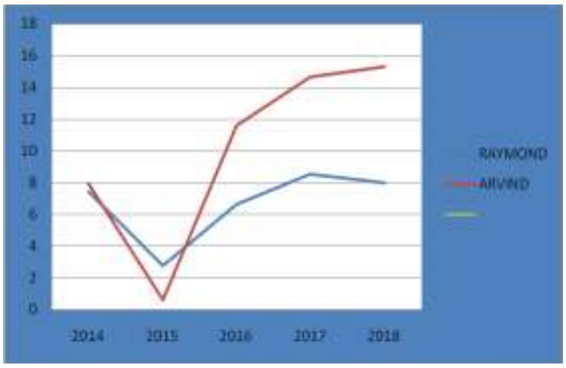
YEAR	RAYMOND	ARVIND
2014	75.4	91.14
2015	78.25	92.61
2016	80.64	76.34
2017	83.1	78.53
2018	71.86	79.14



It is an activity ratio that measures the efficency with which assets are used by a company. It is computed by dividing net sales by average total assets for a given period. Generally a higher asset turnover ratio is better. For RAYMOND the ratio is highest in 2017 and lowest in 2018. For ARVIND the highest ratio is in 2015 and lowest in 2016.

Table 1.6ANALYSIS ON THE BASIS OF OPERATING PROFIT RATIO

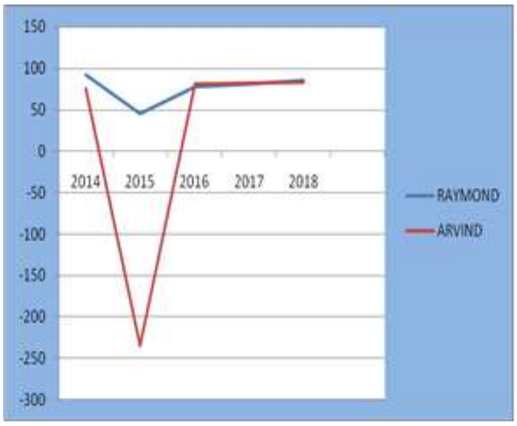
YEAR	RAYMOND	ARVIND
2014	7.44	7.91
2015	2.76	0.61
2016	6.62	11.6
2017	8.56	14.64
2018	8	15.3



Operating profit ratio shows how efficiently the company generates the profit in the past 5 years. The operating profit ratio of RAYMOND showed a progressive trend except in the years 2015 and 2018. The operating profit ratio of ARVIND showed a progress except in the year 2015.

Table 1.7 ANALYSIS ON THE BASIS OF RETURN ON CAPITAL EMPLOYED

YEAR	RAYMOND	ARVIND
2014	92.17	75.18
2015	45.56	-233.94
2016	77.56	80.56
2017	81.58	82.55
2018	86.06	83.21



It indicates the efficiency and profitability of a company's capital investment. ROCE should always be higher than the rate at which the company borrows. A good ROCE is one that is greater than the rate at which the company borrows. For RAYMOND the highest ROCE is in 2014 and lowest in 2015 and other all years it shows a progress. For ARVIND it shows a progressive nature except in 2015.

Table 1.8 ANALYSIS ON THE BASIS OF STOCK TURNOVER RATIO

YEAR	RAYMOND	ARVIND
2014	3.21	4.91
2015	4.04	4.6
2016	4.25	4.75
2017	4.59	5.02
2018	3.96	5.07

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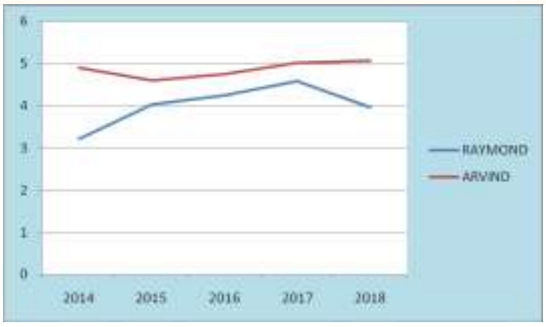

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed. It is by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is "turned" or sold during a period. When comparing both the companies, Arvind ltd has a higher stock turnover ratio in the five years. In 2018 the stock turnover ratio of RAYMOND shows a decline and for ARVIND in 2015 shows a decline.

CHAPTER-5
FINDINGS, SUGGESTIONS AND CONCLUSION

The financial statements become meaningless unless they are analyzed and interpreted. On proper analysis and interpretation of the results, they become more valuable and useful. Managerial decision often depends on the results of analysis of financial statements and their interpretation.

Analysis of financial statement is the process of determining the significant operating and financial characteristics of a firm from the accounting data. It is the treatment of the information contained in the financial statements to afford a full diagnosis of the profitability and financial position of the firm.

Interpretation refers to drawing inferences or conclusions on the basis of analysis conducted on the financial statements. Unless proper interpretation is made and conclusions drawn, there is no meaning in preparing and analyzing financial statements. Proper interpretation leads to proper conclusion and judgment and taking effective measures for improvements.

The objectives of analysis of financial statements depend to a large extent on various factors. It can be on the personal view of the analyst, the degree of his interest in the company, the need for depth of enquiry and finally on the amount and quality of the data available.

Major findings of the study

- Even though both the companies do not give the ideal current ratio from the analysis it can be concluded that RAYMOND is slightly higher than that of ARVIND.
- Both of the companies showed a progress in liquid ratio.
- Both of the companies showed a progressive trend in net profit ratio except in the year 2015.
- Both of the companies showed a decline in earnings per share in the years 2015 & 2018. In other three years the earnings per share were increased.
- Both the companies doesn't have a consistency in the asset turnover ratio. Since the highest asset turnover ratio is better for RAYMOND in the year 2017 and for ARVIND in 2015.
- From the analysis of operating profit ratio it is evident that for RAYMOND, there is a progress except in the years 2015 & 2018. For ARVIND, except in the year 2015 the operating profit ratio showed a progress.
- When comparing return on capital employed by both of the companies it is evident that for RAYMOND, the ratio showed a progressive nature except in the year 2015. For ARVIND, the ratio showed a huge decline in the year 2015.
- Stock turnover ratio of both companies shows an increasing trend except in the year 2018 for RAYMOND and except in the year 2015 for ARVIND.

SUGGESTIONS

- Satisfactory liquidity ratios and current ratios can be maintained if the company either increase the current assets in proportion with current liabilities or control the increase in current liabilities.
- Proper measures must be adopted to increase the net profit of the company.
- The return can be improved either by increasing sales or by decreasing expenses.
- The company should improve its efficiency in utilization of total assets and capital employed.
- The company should try to attain a continuous improvement in the earning power.
- By way of better forecasting, improving sales the stock turnover ratio can be increased.

- For improving operating profit ratio it must involve either bringing in more money or spending less.

CONCLUSION

With all these ratios it can be stated that both the companies have a good or better performance in all the 5 years. The financial performance of the both the companies are satisfactory in last 5 years. But indication of threats are also there in the analysis. The financial base and managerial efficiency of both companies help to overcome all such negative trend. A better management decision can make the performance of the companies more and more successful. Based on the findings of various ratio analysis the study is concluding that the financial performance of both the companies are satisfactory.

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