



Profitability Ratios Analysis of Selected Textile Company: An Empirical Analysis of Kewal Kiran Clothing Limited

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Abstract

India's economy greatly benefits from the textile industry. This is one of India's biggest industries in terms of generating foreign exchange and jobs. The paper's primary focus is the strength of the Indian textile sector's finances, particularly with regard to Kewal Kiran Clothing Limited. For this reason, the profitability positions of textile businesses owned by Kewal Kiran Clothing Limited have been examined. This article uses the profitability ratio analysis method to assess the financial stability of textile companies. According to Paul G. Hastings, "finance is the management of the affairs of the company." calculating the expenses related to obtaining the cash on the best conditions and distributing the available funds among the most advantageous applications.

Keywords: Profitability ratios, Textile industries, Kewal Kiran Clothing Limited

Introduction

The Indian textile sector has contributed significantly to the country's development and has seen a steady performance boost in recent years. One of the top textile industries in the world is the Indian one. About 30% of India's overall foreign exchange earnings come from exporting textiles. Additionally, it accounts for about 3% of the nation's GDP (Gross Domestic Product) and roughly 14% of all industrial production. Approximately 35 million people are directly employed by the Indian textile sector today, which contributes 21% of all jobs created in the country.

The Indian textile industry's globalization has also made it easier for the country to adopt cutting-edge, effective manufacturing tools and processes. Thus, the production and export of textiles account for a substantial portion of India's economic growth. An organization's ability to convert its financial resources into mission-related activities is demonstrated by its financial performance, which is the blueprint of its financial affairs. Production, cost, sales, and profitability analyses are used to examine the textile industry's financial performance.

In the economic life of the nation, the Indian textile industry dominates. The textile industry contributes significantly to industrial output, job creation, and the nation's export revenue in addition to meeting

one of the fundamental needs of life. In India, this industry was among the first to emerge. Before India gained its independence, colonization and systematic economic exploitation were the outcomes of British rule. India's original manufacturing base was further devastated by British rule, which sought to turn the country into a market for its manufacturing sector Prasad (2010). Since 1923, the British government in India has pursued the policy of providing protection to a limited number of industries (Kapila Uma, 2007). Despite these unfavorable circumstances imposed by Britain, India saw advancements in a few industries, like textiles. Reviewing and studying a company's financial records in order to enhance financial decisions is known as financial statement analysis. It is used by a wide range of stakeholders. Every management aims to utilize its resources as efficiently and profitably as possible. Profitability is the primary measure of a business's efficiency and soundness. To ascertain whether or not the organization's strategies are profitable, a review of the financial accounts is necessary.

Review of literature

PoliBoruah (2022) in this research article titled "An empirical investigation into the textile industry's financial performance" In essence, this article will do a comprehensive study of several variables that affect the financial performance using a range of metrics, including profitability, liquidity, solvency, and breakeven point. In the end, the author concluded that there is a connection between financial performance and ratios.

Gupta (2017) assessed textile firms' performance according to their managerial effectiveness, profitability, liquidity, and solvency. Return on Capital Employed, Net Profit Margin, Current Ratio, Debt Equity, and Fixed Turnover Ratio are found to differ significantly.

Indhumathi, et.al. (2013) in her research from 2001 to 2010, the authors of "A study on financial performance of selected textile companies in India" attempted to ascertain the financial standing and profitability of a chosen group of textile enterprises. The study's instruments include the profitability ratio and the general state of the finances. They discovered that a few chosen textile companies' overall financial performance lacked stability. It varies. Long-term funds must be used to finance in order to improve the financial situation. Businesses should make an effort to minimize their non-operating costs and make appropriate use of their working assets.

Rakesh and Kulkarni (2012) evaluated the working capital of five chosen companies in the Gujarat textile sector over a period of eleven years, performing descriptive statistics, ratio analysis, and other tasks. Following the study's conclusion, all of the company's financial performance—including its current and quick ratios, current asset on total asset, sales, turnover, and other metrics—was examined using ANOVA and hypothesis testing. The researcher used these techniques in this study as well.

Objectives of the study

1. To evaluate the profitability ratios of Kewal Kiran Clothing Limited.
2. to measure Correlation Coefficient of Total Income and Total Expenditure of KKCL

Methodology

Secondary data has been used for study purpose. The period of the study covers from financial year 2020-2021 to 2024-2025. Secondary data is derived from annual reports of the company. Descriptive

research design has been used for analytical purpose. The company Kewal Kiran Clothing Limited has been selected for study purpose.

Tools and techniques

- Ratio analysis
- standard deviation
- Correlation Analysis

Result and discussion

Table 1: Profitability ratios of KKCL Company

Profitability Ratios	2024-25	2023-24	2022-23	2021-22	2020-21	AVG.
Operating Profit Margin(%)	19.00	20.59	19.49	16.46	6.16	16.34
Profit Before Interest And Tax Margin(%)	16.46	18.61	17.90	14.89	3.74	14.32
Gross Profit Margin(%)	17.42	19.41	18.37	15.30	3.95	14.89
Net Profit Margin(%)	16.76	17.95	15.30	13.43	6.41	13.97
Return On Capital Employed(%)	21.28	30.04	27.32	19.80	6.05	20.90
Return On Net Worth(%)	17.23	22.83	21.78	17.07	4.48	16.68
Return on Long Term Funds(%)	23.91	30.15	29.86	22.97	6.70	22.72

The operating profit margin ratio maintained an average of 16.34% for the study period. It remained high for the year 2023-24 (20.59%) followed by year 2022-23 (19.49%), year 2024-25 (19%), year 2021-22 (16.46%) and year 2020-21 (6.16%).

The Profit before interest and tax margin ratio maintained an average of 14.32% for the study period. It remained high for the year 2023-24 (18.61%) followed by year 2022-23 (17.90%), year 2024-25 (16.46%) and year 2021-22 (14.89%) and year 2020-21 (3.74%).

The gross profit margin ratio maintained an average of 14.89% for the study period. It remained high for the year 2023-24 (19.41%) followed by year 2022-23 (18.37%), year 2024-25 (17.42%), year 2021-22 (15.30%) and year 2020-21 (3.95%).

The net profit margin ratio maintained an average of 13.97% for the study period. It remained high for the year 2023-24 (17.95%) followed by year 2024-25 (16.76%), year 2022-23 (15.30%), year 2021-22 (13.43%) and year 2020-21 (6.41%).

The return on capital-employed ratio maintained an average of 20.90% for the study period. It remained high for the year 2023-24 (30.04%) followed by year 2022-23 (27.32%), year 2024-25 (21.28%), year 2021-22 (19.80) and year 2020-21 (6.05%).

The return on net worth ratio maintained an average of 16.68% for the study period. It remained high for the year 2023-24 (22.83%) followed by year 2022-23 (21.78%), year 2024-25 (17.23%), year 2021-22 (17.07%) and year 2020-21 (4.48%).

The return on long-term funds ratio maintained an average of 22.72% for the study period. It remained high for the year 2023-24 (30.15%) followed by year 2022-23 (29.86%), year 2024-25 (23.91%), year 2021-22 (22.97%) and year 2020-21 (6.70%).

Table 2: S.D. and Correlation Coefficient of Total Income and Total Expenditure of KKCL

Particular	2024-25	2023-24	2022-23	2021-22	2020-21	S.D	R
Total Income	1052	897	799	624	319	281.13	0.9979
Total Expenditure	844	693	636	514	290	207.88	

The standard deviation of total income was Rs. 281.13 crores and total expenditure was Rs. 207.88 crores respectively. The coefficient of correlation between total income and total expenditure was 0.9979, which indicates very high relationship between these two variables. It also indicates that the both these variables have moved in the same direction.

Conclusion & managerial implications

The ratio of operating profit margin has varied between the fiscal years 2021–2022 and 2024–2025. But in 2020–21, the percentage drastically decreased, suggesting possible difficulties in sustaining profitability. Additionally, the ratios for profit before interest and tax, gross profit margin, net profit margin, return on capital employed, return on net worth, and return on long-term funds varied between the fiscal years 2021–2022 and 2024–2025. In the fiscal year 2020–21, all of these ratios saw a significant decline as a result of the economic pressures associated with COVID-19, which had a significant impact on industrial performance. Nonetheless, there was a very strong correlation between total income and total expenditure, as indicated by the coefficient of correlation of 0.9979. Additionally, it shows that both of these variables have shifted in the same way.

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