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A Comparative Analysis of the Financial Performance of textile industry: (With Specific Reference to Vardhman Group and Arvind Limited, India)

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Abstract

Financial performance evaluation is a quantitative method of gaining perception into a company's liquidity, operational efficiency, and profitability by analysing its monetary statements such as the balance sheet and earnings declaration. The research illustrates the comparative analysis of the financial performance between the two yarn industries - Vardhman Group and Arvind Limited. The study applied ratio analysis techniques which is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability through the examination of financial statements such as the balance sheet and income statement. The study incorporated financial data for five years starting from 2017-2018 to 2021-2022 for comparing the performance of both the companies . Vardhman Group Ltd is more self-reliant as compared to Arvind Ltd in terms of the net worth to total assets ratio as these companies are the textile giants of the country. On analysing the receivables turnover ratio, it is clear that Arvind Ltd. is far more efficient than Vardhman Group Ltd in utilizing and managing its fixed assets and current assets. The research also indicated that the investment turnover ratio of Arvind Ltd (average 1.998 times) was far better than Vardhman Group Ltd (average 0.866 times).

Keywords: Financial Performance, Comparative Analysis, Textile Industries, Ratios Analysis

Introduction

The textile industry is a massive global market that directly or indirectly affects every country on the planet. Cotton sellers, for example, raised prices in the late 2000s because of crop issues, but even then, ran out of cotton because it was being sold so quickly. The price increase and scarcity were reflected in the consumer prices of cotton-containing products, resulting in lower sales. This is a prime example of how each industry participant can influence other surprisingly, trends and growth also follow this rule. Globally, the textile industry is expanding, with key competitors including China, the European Union, the United States, and India. Since the last few years, the global textile and apparel trade has risen at a CAGR of 3%website. Asia is the primary textile industry hub. China is the largest exporter, accounting for 37% website of global textile and apparel trade, followed by India, Bangladesh, Indonesia, Vietnam, and Cambodia. The textile industry is a labour-intensive one. As a result, lower production costs and cheap labour are the primary drivers of growth in the Asian textile industry. Asian countries' main export markets are the United States, European countries, the United Kingdom, and Japan. China controls roughly 40% of global textile markets, with India coming in second. India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector on the other end. The decentralized power looms/ hosiery and knitting sector forms the largest component in the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world.

Indian textile industry largely depends upon textile manufacturing and export. It also plays a vital role in the economy of the country. India earns about 30 website per cent of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14 per cent of the total industrial production of the country. It also contributes around 3 per cent to the industry Gross Domestic Product (GDP) of the country. The Indian textile industry is also the largest in the country in terms of generating employment opportunities, currently generates employment opportunity for more than 35 million people. The Indian textiles and apparel industry is expected to grow to a size of US$ 223 billion by 2021, according to a report by Technopak Advisors .This industry accounts for almost 24% of the world's spindle capacity and 8% of global rotor capacity. On the other hand, in major developed countries, the output of woven products will remain stable. Weaving process is conducted to make fabrics for a broad range of clothing assortment, including shirts, jeans, sportswear, skirts, dresses, protective clothing etc., and also used in non-apparel uses like technical, automotive, medical etc. In this light it is imperative to have comparison of two textile giants to knows who their performance over the years.

Review of Literature

Beaver (1966) contended that standard financial ratios can predict the financial performance of firms, many subsequent studies have attempted to demonstrate the predictive value of various techniques for estimating actual business performance. Many research projects were undertaken in an attempt to validate the use of financial ratios for predicting the financial performance of a firm. Some of the better-known studies include Altman and Narayanan (1977), Norton and Smith (1979), and Mensah (1983). These studies, like their predecessors, fail to demonstrate that normality of distribution or those necessary sample assumptions have been met prior to the analysis.

Some other notable studies in this area are Boardman and Vining (1989), Commander et al. (1996) and La Porta et al. (1997). In the historical approach, ex ante and ex post privatization performance of the same enterprise is compared. Notable studies that followed this approach include Megginson et al. (1994), Earle and Estrin (1997), and Dewenter and Malatesta (1998). This was not the case in countries like Mexico, Chile and Mozambique where a few years after privatization, the institutions were experiencing financial problems which quickly got transformed into a systemic crisis (Dammert and Lasagabaster, 2002).

Foster (1986) reviewed the literature describing the methods and theories for evaluating and predicting the financial performance and revealed that although methods have become increasingly complex, few researchers have adequately addressed the problems associated with the sample used. For example, most ratio analysis studies use multivariate analysis that is based on the assumption of a normal distribution of the financial ratios. Without confirming the approximation of normality of ratio distribution, the researchers are at a risk of drawing erroneous inferences. When considering the distribution of financial ratios in any database, the normality of the distribution can be skewed by data recording errors, negative denominators and denominators approaching zero. Further, McLeod and Malhorta (1994) argued that the only way to assess future financial performance is through the inclusion of subjective measures.

Lasher (2005) debt ratios show how effectively the organization uses other people's money and whether it is using a lot of borrowed money. Ross et al. (2007) expressed the concern that most researchers divide financial ratios into four groups, i.e., profitability, solvency, liquidity and activity ratios. Lermack (2003) showed the benefits of financial ratios analysis. He showed that financial ratios are an important and well-established technique of financial analysis. As for the benefits of financial ratios analysis, Brigham and Ehrhardt (2010) stated that financial ratios are designed to help evaluate financial statements. Financial ratios are used as a planning and control tool, and financial ratios analysis is used to evaluate the performance of an organization.

Tiwari and Parray (2012) explained in detail the analysis of financial statements of Ranbaxy Ltd. They provided insights into two widely used financial tools, ratio analysis and common size statements analysis. The objective of the paper was to help the reader understand how these tools should be used to analyse the financial position of a firm. To demonstrate the process of financial analysis, Ranbaxy Ltd.'s balance sheet and income statements were analysed.

Objective of the Study

Based on the above Literature the present research work aims to achieve the following objectives

- To study the long-term Liquidity Position of Vardhman Ltd. and of Arvind Ltd. during the study period from 2017-2018 to 2021-2022.
- To study the long-term Solvency Position of Vardhman Ltd. and of Arvind Ltd. during the study period from 2017-2018 to 2021-2022.
- To study the Management Overall Efficiency of Vardhman Ltd. and of Arvind Ltd. during the study period from 2017- 2018 to 2021-2022 .
- To study the Profitability Position of Vardhman Ltd. and of Arvind Ltd. during the study period from 2017- 2018 to 2021-2022 .

Hypotheses

Following are the Null hypotheses developed based on the above four object.

H1: There is no significant difference in the Liquidity Position of Vardaman Group and Arvind Ltd during the study period .

H2: There is no significant difference in the between different Solvency Position of Vardaman Group and Arvind Ltd during the study period .

H3: There is no significant difference in the between different Management Efficiency position of Vardaman Group and Arvind Ltd during the study period.

H4: There is no significant difference in the between different Profitability Position of Vardaman Group and Arvind Ltd during the study period .

Methdology

The goal of this study is to show a comparison of the financial performance of Vardhman Group and Arvind Limited.

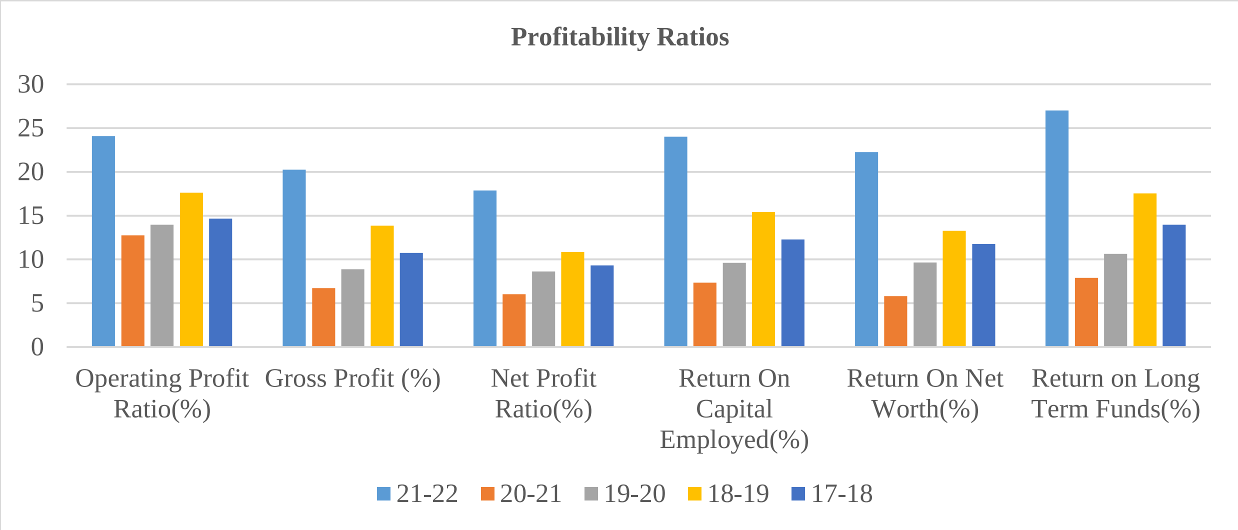
The study incorporated financial data for five years, from 2017-18 to 2021-2022, and then used ratio analysis techniques, which is a quantitative method of gaining perspective into a company's liquidity, operational excellence, and profitability by investigating income statements such as balance sheet and income statement.

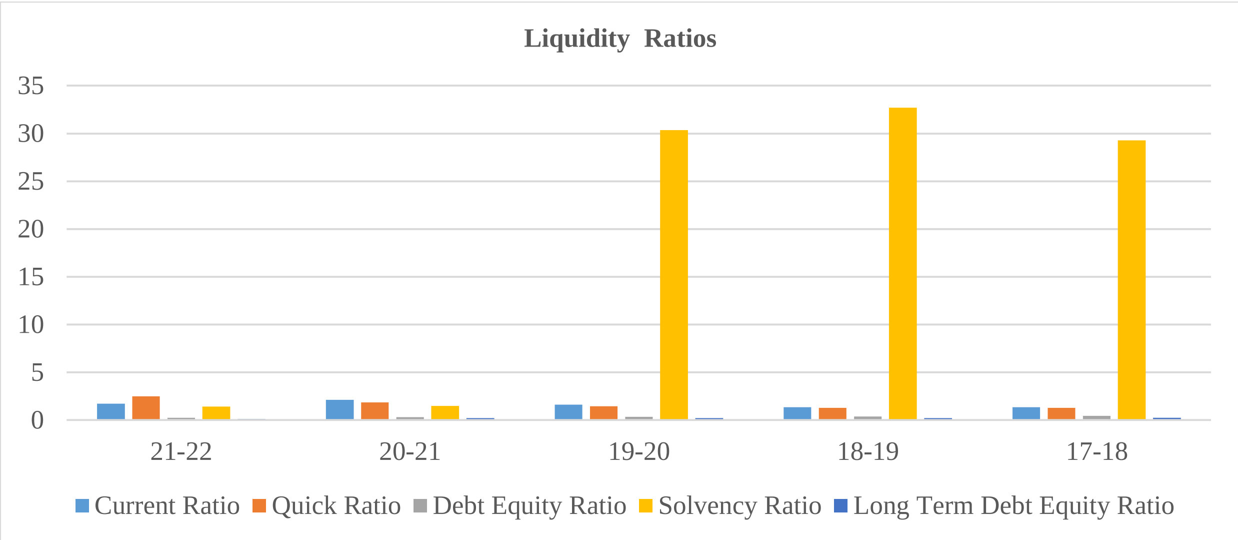
Financial Performance Analysis

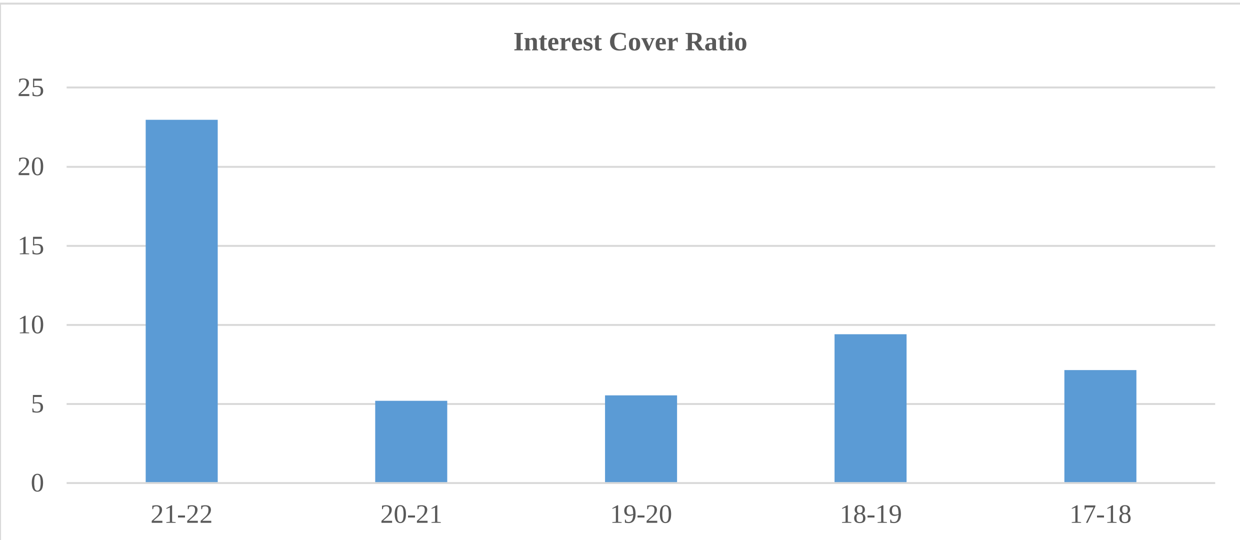
Analysis of the Data the collected data will be tabulated as per the research design to meet out the objectives of the study and suitable statistical tools will also be used to analyze the data.

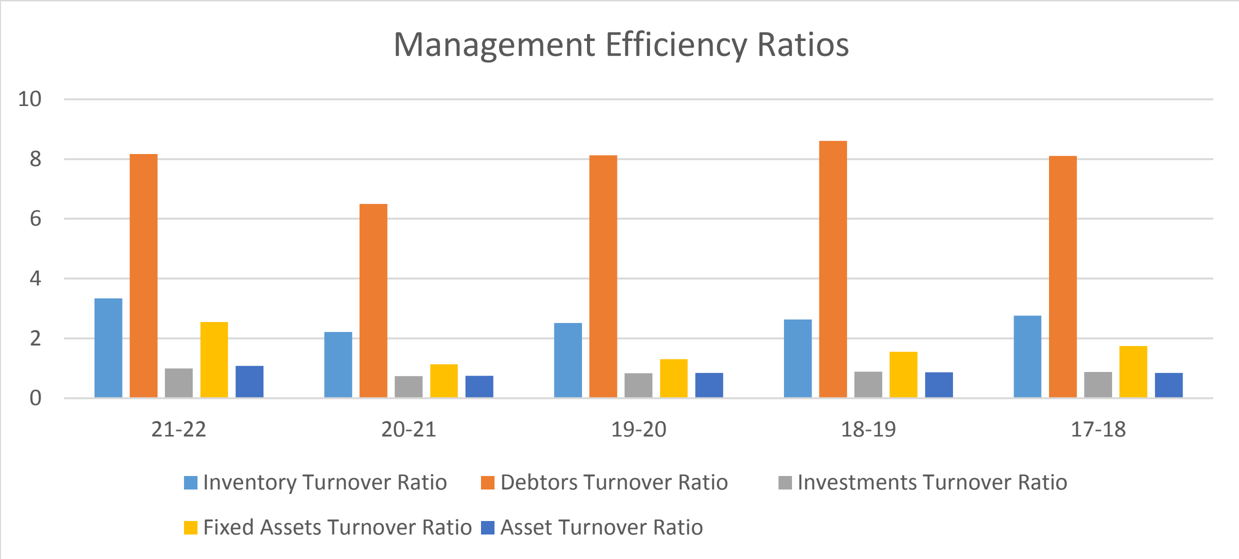
TABLE NO. 1: Ratio Analysis of Vardhman Group

Ratio	Calculation				
Profitability Ratios	21-22	20-21	19-20	18-19	17-18
Operating Profit Ratio (%)	24.1	12.77	13.95	17.63	14.67
Gross Profit (%)	20.24	6.72	8.9	13.87	10.76
Net Profit Ratio (%)	17.87	6.05	8.62	10.84	9.32
Return On Capital Employed (%)	24	7.34	9.6	15.43	12.28
Return On Net Worth (%)	22.24	5.82	9.65	13.28	11.78
Return on Long Term Funds (%)	27.01	7.91	10.63	17.56	13.98
Liquidity Ratios	21-22	20-21	19-20	18-19	17-18
Current Ratio	1.71	2.13	1.62	1.35	1.34
Quick Ratio	2.49	1.86	1.46	1.27	1.29
Debt Equity Ratio	0.26	0.31	0.35	0.37	0.43
Solvency Ratio	1.402822876	1.483144706	30.34234998	32.69175153	29.26717118
Long Term Debt Equity Ratio	0.12	0.22	0.22	0.2	0.26
Debt Coverage Ratios	21-22	20-21	19-20	18-19	17-18
Interest Cover Ratio	22.96	5.19	5.55	9.4	7.13
Management Efficiency Ratios	21-22	20-21	19-20	18-19	17-18
Inventory Turnover Ratio	3.34	2.21	2.52	2.63	2.76
Debtors Turnover Ratio	8.17	6.5	8.12	8.61	8.1
Investments Turnover Ratio	0.99	0.74	0.83	0.89	0.88
Fixed Assets Turnover Ratio	2.55	1.13	1.3	1.55	1.74


Profitability Ratios
30
25
20
15
10
5
0
Operating Profit Ratio(%)
Gross Profit (%)
Net Profit Ratio(%)
Return On Capital Employed(%)
Return On Net Worth(%)
Return on Long Term Funds(%)
21-22
20-21
19-20
18-19
17-18


Liquidity Ratios
35
30
25
20
15
10
5
0
21-22
20-21
19-20
18-19
17-18
Current Ratio
Quick Ratio
Debt Equity Ratio
Solvency Ratio
Long Term Debt Equity Ratio


Interest Cover Ratio
25
20
15
10
5
0
21-22
20-21
19-20
18-19
17-18



Operating Profit Ratio(%) was 12.77 % in the year 20-21 which has increased to 24.1 % in the year 21-22 . The reasons for such variation are it would leave higher margin for the payment of divided and the creation of reserves . The lower the ratio the better it is .

Gross Profit was 6.72 % in the year 20-21 which has increased to 20.24 % in the year 21-22 . The Vardhman Group has adequacy of selling price and efficiency in the business . A higher ratio is considered good ratio .

Return On Capital Employed Ratio was 7.34 % in the year 20-21 which has increased to 24 % in the year 21-22 . The Vardhman Group has good ratio in the business strength from the view of equity shareholders because divided in equity share depends upon the profit available for equity shareholder. The Return on Capital Employed Ratio is more than 15 % .

Current Ratio was 2.13 % in the year 20-21 which has decreased from to 1.71 % in the year 21-22 . The Vardhman Group should have to increase current asset to meet short term financial position of the group . The Current Ratio 2:1 is considered as safe margin of solvency .

Debt Equity Ratio was 0.31 % in the year 20-21 which has decreased from to 0.26 % in the year 21-22 . The Vardhman Group has a good ratio which help *in the long-term financial position of the company . The Debt Equity Ratio less than 1 which is considered as ideally stage for company.

Solvency Ratio was 1.48 % in the year 20-21 which has decreased to 1.48 % in the year 21-22 . The Vardhman Group has enough to repay all of its external liabilities . The Solvency Ratio should be positive in value which is considered as safe margin of solvency ratio .

Interest Cover Ratio was 5.19 % in the year 20-21 which has increased to 22.96 % in the year 21-22 . The Vardhman Group has better ratio . The Interest Cover Ratio should be greater than 3 which is considered as safe margin for Interest Cover Ratio .

Inventory Turnover Ratio was 2.21 % in the year 20-21 which has increased to 3.34 % in the year 21-22 . The Vardhman Group has good ratio which indicate stock has been used efficiently . The Inventory Turnover Ratio is higher the ratio the better it is .

Debtors Turnover Ratio was 6.5 % in the year 20-21 which has increased to 8.17 % in the year 21-22 . The Vardhman Group has good ratio which indicate measurement of economy and efficiency in collection of amounts due from debtors . The Debtors Turnover Ratio is higher the ratio the better it is .

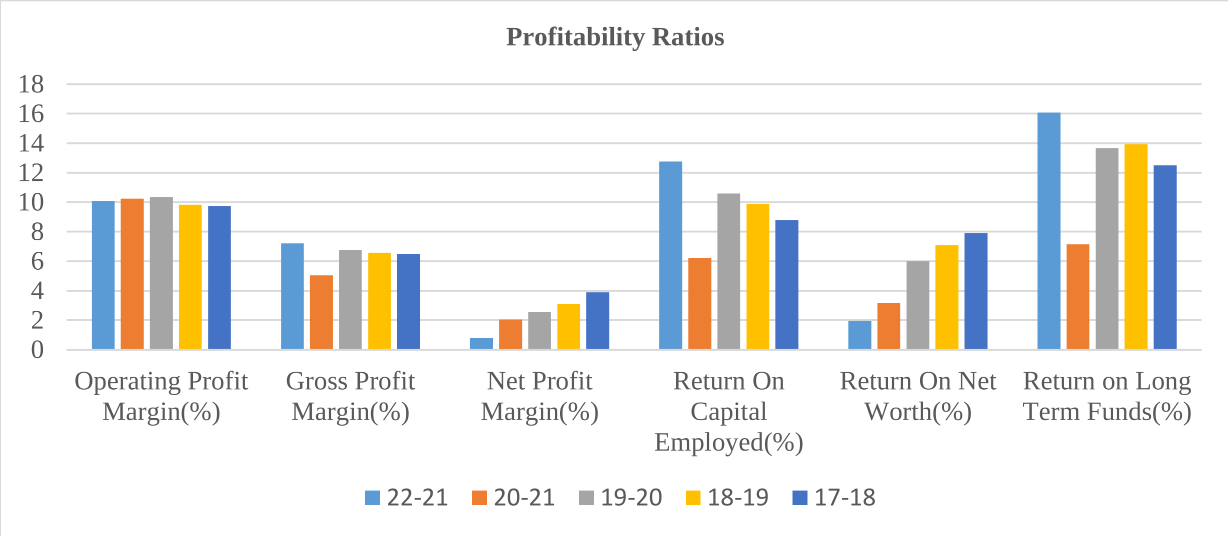
Investments Turnover Ratio was 0.74 % in the year 20-21 which has increased to 0.99 % in the year 21-22 . The Vardhman Group has good ratio which indicate that the company is using its resource more effectively , earning shareholder a higher value for their investment . The Investments Turnover Ratio is higher the ratio the better it is .

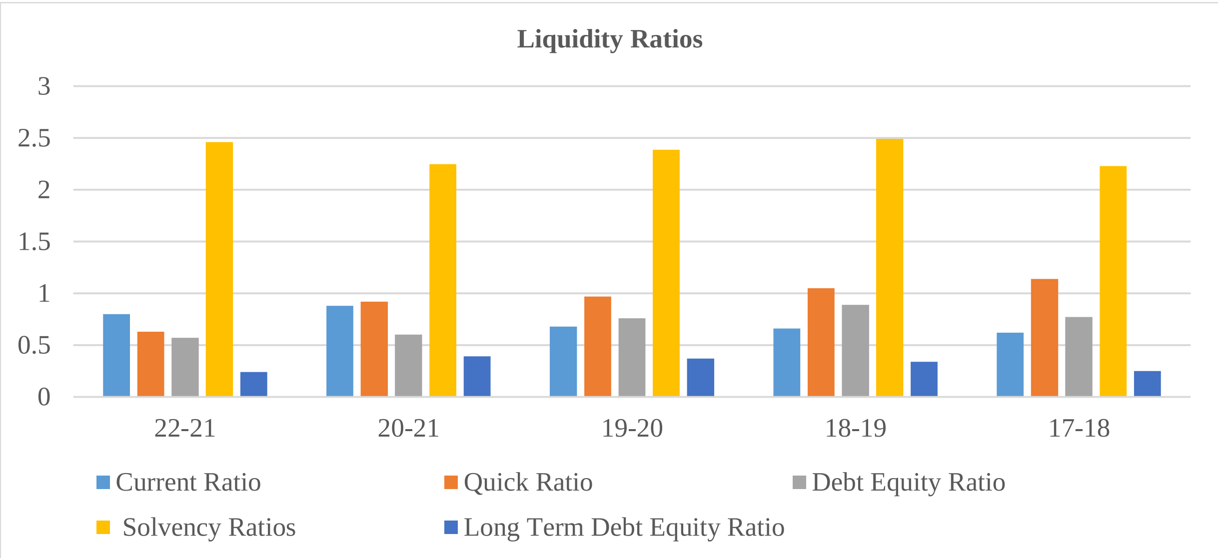
Fixed Assets Turnover Ratio was 1.13 % in the year 20-21 which has increased to 2.55 % in the year 21-22 . The Vardhman Group has good ratio which indicate well and efficiently a business uses fixed assets to generate sales . The Fixed Assets Turnover Ratio is higher the ratio the better it is .

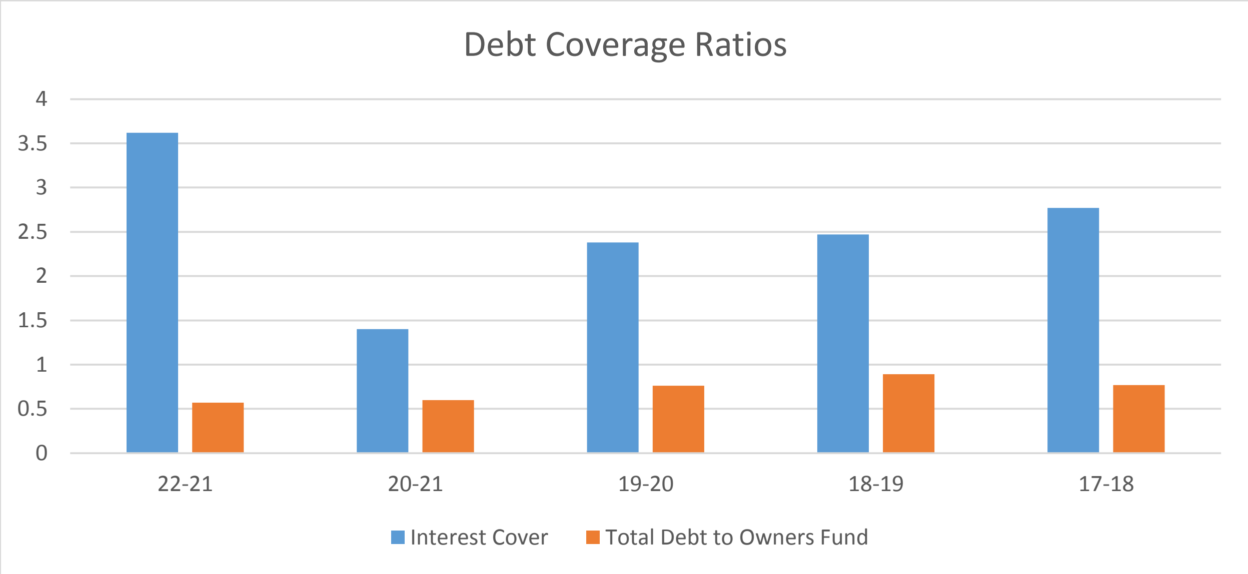
Asset Turnover Ratio was 0.7 % in the year 20-21 which has increased to 1.08 % in the year 21-22 . The Vardhman Group has better use of asset to generate more revenue . The Asset Turnover Ratio higher the ratio the better it is .

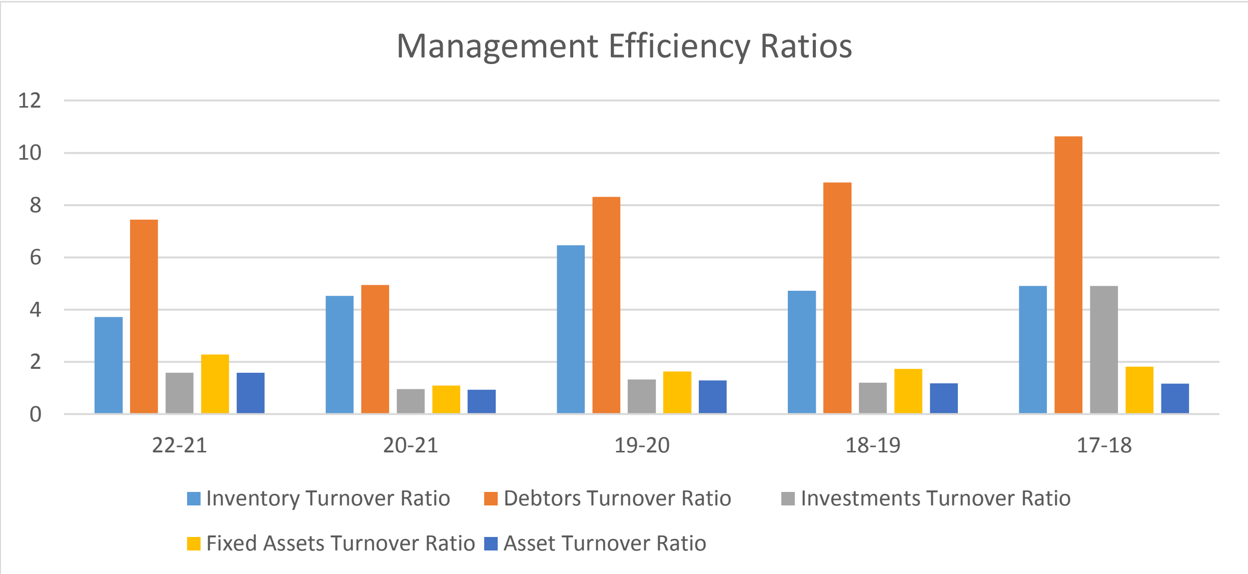
TABLE NO. 1.1. :Ratio Analysis of Arvind Limited

Ratio	**Calculation**				
Profitability Ratios	**22-21**	**20-21**	**19-20**	**18-19**	**17-18**
Operating Profit Margin (%)	10.08	10.25	10.34	9.83	9.74
Gross Profit Margin (%)	7.21	5.03	6.75	6.57	6.49
Net Profit Margin (%)	0.79	2.04	2.55	3.09	3.89
Return On Capital Employed (%)	12.76	6.2	10.58	9.9	8.79
Return On Net Worth (%)	1.96	3.15	6	7.08	7.91
Return on Long Term Funds (%)	16.08	7.14-	13.67	13.92	12.5
Liquidity Ratios	**22-21**	**20-21**	**19-20**	**18-19**	**17-18**
Current Ratio	0.8	0.88	0.68	0.66	0.62
Quick Ratio	0.63	0.92	0.97	1.05	1.14
Debt Equity Ratio	0.57	0.6	0.76	0.89	0.77
Solvency Ratios	2.461686619	2.25	2.39	2.49	2.23
Long Term Debt Equity Ratio	0.24	0.39	0.37	0.34	0.25
Debt Coverage Ratios	**22-21**	**20-21**	**19-20**	**18-19**	**17-18**
Interest Cover	3.62	1.4	2.38	2.47	2.77
Total Debt to Owners Fund	0.57	0.6	0.76	0.89	0.77
Management Efficiency Ratios	22-21	**20-21**	**19-20**	**18-19**	**17-18**
Inventory Turnover Ratio	3.72	4.53	6.46	4.72	4.91
Debtors Turnover Ratio	7.45	4.94	8.32	8.87	10.63
Investments Turnover Ratio	1.58	0.96	1.33	1.21	4.91
Fixed Assets Turnover Ratio	2.28	1.09	1.63	1.73	1.82
Asset Turnover Ratio	1.58	0.93	1.29	1.18	1.17


Profitability Ratios
18
16
14
12
10
8
6
4
2
0
Operating Profit Margin(%)
Gross Profit Margin(%)
Net Profit Margin(%)
Return On Capital Employed(%)
Return On Net Worth(%)
Return on Long Term Funds(%)
22-21
20-21
19-20
18-19
17-18


Liquidity Ratios
3
2.5
2
1.5
1
0.5
0
22-21
20-21
19-20
18-19
17-18
Current Ratio
Quick Ratio
Debt Equity Ratio
Solvency Ratios
Long Term Debt Equity Ratio





Operating Profit Ratio was 10.25 % in the year 20-21 which has decreased from to 10.08 % in the year 21-22. The reasons for such variation are it would leave higher margin for the payment of divided and the creation of reserves. The lower the ratio the better it is.

Gross Profit was 5.03 % in the year 20-21 which has increased to 7.21 % in the year 21-22. The ARVIND LIMITED Group has adequacy of selling price and efficiency in the business. A higher ratio is considered good ratio.

Net Profit Ratio was 2.04 % in the year 20-21 which has decreased to 0.79 % in the year 21-22. The ARVIND LIMITED Group has better ratio in the position of cost control and operational efficiency in the business. The lower the ratio the better it is.

Return On Capital Employed Ratio was 6.2 % in the year 20-21 which has increased to 12.76 % in the year 21-22. The ARVIND LIMITED Group has fine ratio in the business strength from the view of equity shareholders because divided in equity share depends upon the profit available for equity shareholder. The Return on Capital Employed Ratio is should be more than 15 %.

Return On Net Worth Ratio was 3.15 % in the year 20-21 which has decreased from to 1.96 % in the year 21-22. The ARVIND LIMITED Group has less return on net worth in the business strength from the view of equity shareholders because divided in equity share depends upon the profit available for equity shareholder. The return on capital employed ratio is less than 15 %.

Return on Long Term Funds was 7.14 % in the year 20-21 which has increased to 16.08 % in the year 21-22. The ARVIND LIMITED Group has good ratio which indicate well and efficiently a business uses return on long term funds. The Return on Long Term Fund is higher the ratio the better it is.

Current Ratio was 0.88 % in the year 20-21 which has decreased from to 0.8 % in the year 21-22. The ARVIND LIMITED Group should have to increase current asset to meet short term financial position of the group. The Current Ratio 2:1 is considered as safe margin of solvency.

Quick Ratio was 0.92 % in the year 20-21 which has decreased to 0.63 % in the year 21-22. The ARVIND LIMITED Group is the position of payment of current liabilities either immediately. The Quick Ratio 1:1 is considered as safe margin.

Debt Equity Ratio was 0.6 % in the year 20-21 which has decreased from to 0.57 % in the year 21-22. The ARVIND LIMITED Group has a good ratio which helps in the long-term financial position of the company. The Debt Equity Ratio less than 1 which is considered as ideally stage for company.

Solvency Ratio was 2.24 % in the year 20-21 which has increased to 2.46 % in the year 21-22. The ARVIND LIMITED Group has enough to repay all of its external liabilities. The Solvency Ratio should be positive in value which is considered as safe margin of solvency ratio.

Long Term Debt Equity Ratio was 0.39 % in the year 20-21 which has decreased from to 0.24 % in the year 21-22. The ARVIND LIMITED Group has a good ratio which helps in the long-term financial position of the company. The Long-Term Debt Equity Ratio should be less than 1 which is considered as ideally stage for company.

Interest Cover Ratio was 1.4 % in the year 20-21 which has increased to 3.62 % in the year 21-22. The ARVIND LIMITED Group has better ratio. The Interest Cover Ratio should be greater than 3 which are considered as safe margin for Interest Cover Ratio.

Inventory Turnover Ratio was 4.53 % in the year 20-21 which has decreased to 3.72 % in the year 21-22. The ARVIND LIMITED Group has fewer ratios which indicate stock has been used not efficiently than last year. The Inventory Turnover Ratio is higher the ratio the better it is.

Debtors Turnover Ratio was 4.94 % in the year 20-21 which has increased to 7.45 % in the year 21-22. The ARVIND LIMITED Group has good ratio which indicate measurement of economy and efficiency in collection of amounts due from debtors. The Debtors Turnover Ratio is higher the ratio the better it is.

Investments Turnover Ratio was 0.96 % in the year 20-21 which has increased to 1.58 % in the year 21-22. The ARVIND LIMITED Group has good ratio which indicate that the company is using its resource more effectively, earning shareholder a higher value for their investment. The Investments Turnover Ratio is higher the ratio the better it is.

Fixed Assets Turnover Ratio was 1.09 % in the year 20-21 which has increased to 2.28 % in the year 21-22. The ARVIND LIMITED Group has good ratio which indicate well and efficiently a business uses fixed assets to generate sales. The Fixed Assets Turnover Ratio is higher the ratio the better it is.

Asset Turnover Ratio was 0.93 % in the year 20-21 which has increased to 1.58 % in the year 21-22. The ARVIND LIMITED Group has better use of asset to generate more revenue. The Asset Turnover Ratio higher the ratio the better it is.

Testing of Hypotheses

H1: There is no significant difference in the Liquidity Position of Vardaman Group and Arvind Ltd during the study period .

$$NP_t = \alpha_0 + \beta_1 CR_t + \beta_2 LR_t + e_t$$

Where α_0= Intercept t= Time Series Data

β_1, β_2 = Slope e = error

TABLE NO. 2: Testing of Liquidity Position of Vardaman Group and Arvind Ltd

Dependent Variable: NET_PROFIT_IN_INR__IN_RS__CR__				
Method: Panel Least Squares				
Date: 09/17/22 Time: 10:25				
Sample: 1 10				
Periods included: 5				
Cross-sections included: 2				
Total panel (balanced) observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CURRENT_RATIO (CR)	-851.0220	307.0332	-2.771758	0.0323
QUICK_RATIO (LR)	963.0588	190.7993	5.047496	0.0023
C	202.4551	342.8860	0.590444	0.5764
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.896481	Mean dependent var		458.7810
Adjusted R-squared	0.844722	S.D. dependent var		477.8686
S.E. of regression	188.3060	Akaike info criterion		13.60319
Sum squared resid	212754.8	Schwarz criterion		13.72422
Log likelihood	-64.01594	Hannan-Quinn criter.		13.47041
F-statistic	17.32014	Durbin-Watson stat		1.336191
Prob(F-statistic)	0.002330			

Interpretation

Table no. 1 shows that Short-Term Solvency position of Vardhman Group Ltd and of Arvind Ltd were not significantly different during the study period from 2017-2018 to 2021-2022.Current Ratio (CR) is having a negative impact on Net Profit by -851.0220 coefficient value this means increase in the INR 1 will decrease the net profit by -851.0220 INR Prob(F-statistic) is 0.002330 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.89%. Quick Ratio (QR) is having a positive impact on Net Profit(963.05 coefficient value) this means increase in the INR 1 will crease the net profit by 963.05 INR .We conclude that there is significant difference in the short-term solvency position of Vardhman Group Ltd and of Arvind Ltd during the study period from 2017-2018 to 2021-2022. Hence null hypothesis is rejected.

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H2: There is no significant difference in the between different Solvency Position of Vardaman Group and Arvind Ltd during the study period .

$$NP_t = \alpha_0 + \beta_1 DER_t + \beta_2 SOR_t + \beta_3 LTDER_t + \beta_4 ICR_t + e_t$$

Where α_0= Intercept t= Time Series Data

β_1, β_2 = Slope e = error

Table No. 2: Testing of Solvency Position of Vardaman Group and Arvind Ltd

Dependent Variable: NET PROFIT IN INR IN RS CR				
Method: Panel Least Squares				
Date: 09/17/22 Time: 10:36				
Sample: 1 10				
Periods included: 5				
Cross-sections included: 2				
Total panel (balanced) observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Debt Equity Ratio	347.6457	270.5757	1.284837	0.2682
Solvency Ratio	1.436025	2.716215	0.528686	0.6250
Long Term Debt Equity Ratio	-1.838015	46.17204	-0.039808	0.9702
Interest Cover Ratio	73.92403	5.724405	12.91384	0.0002
C	-135.0637	166.6719	-0.810357	0.4632
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.989466	Mean dependent var		458.7810
Adjusted R-squared	0.976298	S.D. dependent var		477.8686
S.E. of regression	73.57035	Akaike info criterion		11.71807
Sum squared resid	21650.39	Schwarz criterion		11.89962
Log likelihood	-52.59035	Hannan-Quinn criter.		11.51891
F-statistic	75.14233	Durbin-Watson stat		2.369416
Prob(F-statistic)	0.000480			

Interpretation

Table No. 2 shows that Long-Term Solvency position of Vardhman Group Ltd and of Arvind Ltd were not significantly different during the study period from 2017-2018 to 2021-2022. Debt equity ratio is having a positive impact on Net Profit by 347.64 coefficient value this means increase in the INR 1 will increase the net profit by 347.64 INR and impact is significant on profit by Prob(F-statistic) is 0.0004 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.98%.

Table No. 2 shows that Solvency ratio is having a positive impact on Net Profit by 1.436025 coefficient value this means increase in the INR1 will increase the net profit by 1.436025 INR and impact is significant on profit by Prob(F-statistic) is 0.000480 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.98%.

Table No. 2 shows that long term debt equity ratio is having a negative impact on Net Profit by -1.838015 coefficient value this means increase in the INR1 will decrease the net profit by-1.838015 Rs and impact is significant on profit by Prob(F-statistic) is 0.000480 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.98%. Table No. 2 shows that interest cover ratio is having a positive impact on Net Profit by 73.92403 coefficient value this means increase in the INR1 will increase the net profit by 73.92403 INR and impact is significant on profit by Prob(F-statistic) is 0.000480 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.98%, we conclude that there is no significant difference in the short-term solvency position of Vardhman Group Ltd and of Arvind Ltd during the study period from 2017-2018 to 2021-2022. Hence null hypothesis is rejected.

H3: There is no significant difference in the between different Management Efficiency position of Vardaman Group and Arvind Ltd during the study period.

$$NP_t = \alpha_0 + \beta_1 ATR_t + \beta_2 DTR_t + \beta_3 FATR_t + \beta_4 ITR_t + \beta_5 INTR_t + e_t$$

Where α_0= Intercept   t= Time Series Data

β_1, β_2 = Slope   e = error

Table No. 3: Testing of Management Efficiency position of Vardaman Group and Arvind Ltd.

Dependent Variable: NET_PROFIT_IN_INR__IN_RS__CR__				
Method: Panel Least Squares				
Date: 09/17/22 Time: 10:09				
Sample: 1 10				
Periods included: 5				
Cross-sections included: 2				
Total panel (balanced) observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ASSET_TURNOVER_RATIO (ATR)	-1342.713	1018.455	-1.318383	0.2790
DEBTORS_TURNOVER_RATIO (DTR)	-62.48202	100.6705	-0.620659	0.5788
FIXED_ASSETS_TURNOVER_RATIO (FATR)	1044.358	383.4666	2.723465	0.0723

INVENTORY_TURNOVER_RATIO (ITR)	170.2215	136.3621	1.248305	0.3005
INVESTMENTS_TURNOVER_RATIO (INTR)	16.13417	127.1485	0.126892	0.9071
C	-51.10644	816.3218	-0.062606	0.9540
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.903336	Mean dependent var		458.7810
Adjusted R-squared	0.710009	S.D. dependent var		477.8686
S.E. of regression	257.3363	Akaike info criterion		14.13467
Sum squared resid	198666.0	Schwarz criterion		14.34648
Log likelihood	-63.67336	Hannan-Quinn criter.		13.90232
F-statistic	4.672567	Durbin-Watson stat		1.800216
Prob(F-statistic)	0.116759			

Interpretation

The Table No. 2 shows that Overall efficiency position of Vardhman Group Ltd and of Arvind Ltd were not significantly different during the study period from 2017-2018 to 2021-2022. Asset Turnover Ratio (ATR) is having a negative impact on Net Profit by -1342.713 coefficient value this means increase in the INR 1 will decrease the net profit by -1342.713 INR and impact is significant on profit by Prob(F-statistic) is 0.116759 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.90 %.

The Table No. 2 shows that Debtors Turnover Ratio (DTR) is having a negative impact on Net Profit by -62.48202 coefficient value this means increase in the INR 1 will decrease the net profit by -62.48202 INR and impact is significant on profit by Prob(F-statistic) is 0.116759 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.90%.

The Table No. 2 shows that Fixed Assets Turnover Ratio (FATR) is having a positive impact on Net Profit by 1044.358 coefficient value this means increase in the INR1 will increase the net profit by 1044.358 INR and impact is significant on profit by Prob(F-statistic) is 0.116759 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.90%.

The Table No. 2 shows that Inventory Turnover Ratio (ITR) is having a positive impact on Net Profit by 170.2215 coefficient value this means increase in the INR1 will increase the net profit by 170.2215 INR and impact is significant on profit by Prob(F-statistic) is 0.116759 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.90%.

The Table No. 2 shows that Investments Turnover Ratio (INTR) is having a positive impact on Net Profit by 16.13417 coefficient value this means increase in the INR1 will increase the net profit by 16.13417 INR and impact is significant on profit by Prob(F-statistic) is 0.116759 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.90%, we conclude that there is significant difference in the overall efficiency of Vardhman Group Ltd and of Arvind Ltd during the study period from 2017-2018 to 2021-2022. Hence null hypothesis is accepted .

H4: There is no significant difference in the between different Profitability Position of Vardaman Group and Arvind Ltd during the study period.

$$NP_t = \alpha_0 + \beta_1 GPR_t + \beta_2 NPR_t + \beta_3 OPR_t + \beta_4 ROCER_t + \beta_5 ROLTFR_t + \beta_6 RONWR_t + e_t$$

Where α_0= Intercept　　　　t= Time Series Data

β_1, β_2 = Slope　　　　e = error

Table No. 4: Testing of Profitability Position of Vardaman Group and Arvind Ltd .

Dependent Variable: NET_PROFIT_IN_INR__IN_RS__CR__				
Method: Panel Least Squares				
Date: 09/17/22 Time: 10:08				
Sample: 1 10				
Periods included: 5				
Cross-sections included: 2				
Total panel (balanced) observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Gross Profit Ratio	-175.9911	14.48784	-12.14750	0.0067
Net Profit Ratio	181.2244	18.14330	9.988501	0.0099
Operating Profit Ratio	85.24784	14.25582	5.979862	0.0268
Return on Capital Employed	24.78537	19.92849	1.243716	0.3396
Return on Long Term Funds	42.63524	14.15213	3.012636	0.0948
Return on Net Worth	-38.00229	10.49234	-3.621908	0.0685
C	-779.0717	88.93000	-8.760505	0.0128
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.999857	Mean dependent var		458.7810
Adjusted R-squared	0.999358	S.D. dependent var		477.8686
S.E. of regression	12.10921	Akaike info criterion		7.816372
Sum squared resid	293.2659	Schwarz criterion		8.058440
Log likelihood	-31.08186	Hannan-Quinn criter.		7.550823
F-statistic	2002.018	Durbin-Watson stat		2.907773
Prob(F-statistic)	0.000499			

Table No. 2 shows that Profitability position of Vardhman Group Ltd and of Arvind Ltd were not significantly different during the study period from 2017-2018 to 2021-2022. Table No. 2 shows that

Gross Profit Ratio is having a negative impact on net profit by -175.9911 coefficient value this means increase in the INR1 will decrease the net profit by -175.9911 INR and impact is significant on profit by prob(f-statistic) is 0.000499 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.99 %.

Table No. 2 shows that Net Profit Ratio is having a negative impact on Net Profit by 181.2244 coefficient value this means increase in the INR1 will increase the net profit by 181.2244 INR and impact is significant on profit by prob(f-statistic) is 0.000499 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.99%.

Table No. 2 shows that Operating Profit Ratio is having a positive impact on net profit by 85.24 coefficient value this means increase in the INR1 will increase the net profit by 85.24 INR and impact is significant on profit by prob(f-statistic) is 0.000499 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.99%.

Table No. 2 shows that Return on Capital Employed is having a positive impact on net profit by 24.78537 coefficient value this means increase in the INR1 will increase the net profit by 24.78537 INR and impact is significant on profit by prob(f-statistic) is 0.000499 which

is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.99%.

Table No. 2 shows that Return on Long Term Funds are having a positive impact on net profit by 42.63524 coefficient value this means increase in the INR1 will increase the net profit by 42.63524 INR And impact is significant on profit by prob(f-statistic) is 0.000499 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.99%.

Table No. 2 shows that Return on Net Worth is having a negative impact on net profit by -38.00229 coefficient value this means increase in the INR1 will decrease the net profit by -38.00229 INR and impact is significant on profit by prob(f-statistic) is 0.000499 which is less than level of significant which is 0.05 which means the impact of independent variable are predictable on dependent variable by 0.99% %, we conclude that there is significant difference in the overall efficiency of Vardhman Group Ltd and of Arvind Ltd during the study period from 2017-2018 to 2021-2022. Hence null hypothesis is rejected.

Conclusion

Key financial evaluation is a quantitative method of determining a company's liquidity, operational efficiency, and profitability by examining financial statements such as the balance sheet and income statement. In terms of net worth to total assets, Vardhman Group Ltd is more self-sufficient than Arvind Ltd.

Arvind Ltd. is far more efficient than Vardhman Group Ltd in utilizing and managing its fixed assets and current assets. Research also indicated that the investment turnover ratio of Arvind Ltd (average 1.998 times) was far better than Vardhman Group (average 0.866 times) during the study period.

The Null hypotheses developed based on the above four object.

H1: There is no significant difference in the Liquidity Position of Vardaman Group and Arvind Ltd during the study period is rejected .

H2: There is no significant difference in the between different Solvency Position of Vardaman Group and Arvind Ltd during the study period is rejected .

H3: There is no significant difference in the between different Management Efficiency position of Vardaman Group and Arvind Ltd during the study period is accepted.

H4: There is no significant difference in the between different Profitability Position of Vardaman Group and Arvind Ltd during the study period is rejected .

Limitation and Future Scope of Study

Limitation

The financial analysis might be ambiguous without the prior knowledge of the changes in accounting procedure followed by an enterprise.

Information used in the analysis is based on real past results that are released by the company. Therefore, ratio analysis metrics do not necessarily represent future company performance.

It may get difficult to compare the results of different companies if they do not follow the same accounting framework.

Scope

There were only two textiles particularly in comparison. If we had included multiple companies, the results might have been different and we would have had a better understanding.

When we make a comparison Indian industry to foreign industries, we become more aware of where we miss the mark.

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