"PEARLS ANALYSIS OF SELECTED INDIAN TEXTILE COMPANIES: A LIQUIDITY VIEW POINT"

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ABSTRACT

The Textile Industry in India continues to be dominated by cotton, accounting for nearly 3/4th of the total fiber consumption in the country. Globally fiber consumption is dominated by manmade fibers having 70 per cent of share in total fiber consumption. Contrary to the global trend, fiber consumption in India is skewed towards natural fibers with around 65% share, especially cotton. India accounts for 4% of global technical textile exports and 3% of global imports. The technical textiles industry in India was estimated at Rs 1, 16,217 crore in the year 2018. The domestic market is projected to reach Rs. 2, 00,823 crore by 2021 with a CAGR[1] of 20%. This sector has shown an extraordinary growth in over past few years, that is why the researcher has aimed to find out the Liquidity position of the businesses. For this reason, the researcher has taken top 10 companies of Indian Textile sector on the basis of market capitalization from BSE index top 10 companies at the end of 2016. The study period is of ten years from 2007-08 to 2016-17. Here, the researcher used the PEARLS[2] Monitoring System that was established by the WOCCU[3]. The researcher has used the secondary data for her calculation and applies one way ANOVA[4] test for hypothesis testing. The researcher had selected Liquidity ratios for her research work on the basis of simple random sampling method. Here, the result is rejecting null hypothesis (Ho) and accepting alternate hypothesis (H1). Thus, we can say that in relation to Liquidity ratios, there is significant difference between selected textile companies during the study period.

Keywords: Textile Industry, CAGR, PEARLS, WOCCU, Liquidity

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INTRODUCTION

Textile industry contributes to 7% of industry output in value terms, 2% of India's GDP and to 15% of the country's export earnings. With over 45 Million people employed directly, the textile industry is one of the largest sources of employment generation in the country. The size of the Textile Industry in India stood at 150 billion US dollar as of 2017. Textile Industry in India is one of the largest in the world with a large raw material base and manufacturing strength. The mill sector, with 3400 textile mills having installed capacity of more than 50 million spindles and 842000 rotors is the second largest in the world. The researcher had selected top ten companies of Indian Textile sector named:(1) Grasim Industries Ltd. (2) Welspun India Ltd. (3) Vardhman Textiles Ltd. (4) Raymond Ltd. (5) Arvind Ltd. (6) Ruby Mills Ltd. (7) Donear Industries Ltd. (8) Garden Silk Mills Ltd. (9) BSL Ltd. (10) Richa Industries Ltd. The researcher had taken the accounting tool as PEARLS financial ratio analysis. This financial ratios showing relationship between two related items. In this research paper, the researcher had selected Liquidity ratios for calculation and applied one way ANOVA test for hypothesis testing.

For analysis of L = Liquidity, L-1 = Short Term Investments + Liquid Assets - Short Term Payables / Savings Deposits, L-2 = Liquidity Reserves / Savings Deposits, L-3 = Non-Earning Liquid Assets / Total Assets have been focus.

LITERATURE REVIEW

♣ **Susanto Wibow, Rr. Dian Anggraeni, Etty Herijawati, Salikim, (June 2020)** "Comparative Analysis of Performance of Cooperative Credit Method "PEARLS""This research paper aims to study that Credit unions are cooperatives that help their members to prosper, because it is built on the principle of mutual kegotong among members to help each other and help each other in relation to finance cooperative members. Purpose of this study will show the difference in the financial performance of "Asisi" credit cooperatives and credit unions "Puspita Kencana" using PEARLS. The method used there is a descriptive study using methods PEARLS and Statistical test with the sample collection technique using the "purposive sample" then test different descriptive statistics and Kruskal-Wallis test and test different significance with the Mann Whitney

U Sample data are secondary data from Kopdit financial statements mentioned in the study.

✦ **Mr. Dharmikkumar N. Dave ("Gujarat University" 2019) "**Pearls analysis of selected Indian Information Technology companies" The Researcher published a PhD Thesis in it he has tried to assess in his study the principal effort is to check the financial stability of the selected companies listed on National Stock Exchange by PEARLS Analysis. Evaluate the Performance of selected Indian I.T. companies. And to compare all the selected I.T. companies on the basis of PEARLS analysis. Check Liquidity position of selected I.T. companies and interrelationships of PEARLS ratios.

✦ **Mrs. M.SHARMILA DEVI (January 2019)** "An assessment of Indian banking companies listed on national stock exchange by pearls analysis" The Researcher published a PhD Thesis it covers the conceptual frame work of PEARLS analysis in detail. It also includes the importance of each component with their standard goals given by WOCCU. It also includes the calculative formula of each of the component of PEARLS. The researcher attempts to identify the position of Non-Performing Assets of the selected banking companies. It discusses the concept of NPA and its importance in banking sector, asset classification, NPA management rating model, Standardized benchmarks of RBI and NPA rating grades of the selected banking companies.

✦ **Aregawi Ghebremichael Tirfe (University of South Africa, UNISA 2014)** "Financial Performance of Rural Saving and Credit Cooperatives in Tigray, Ethiopia" The researcher analyzed the data using ratios and tables in light of the PEARLS monitoring tool. The cooperatives were found successful in maintaining 100 percent protection against loan losses. Regardless of their weakness in terms of financial structure and profitability indicators, taking 2005 as base year, the RUSACCOs covered in this study registered substantial growth rates in terms of amounts of loan disbursement and saving deposits, members' share capital, number of membership, total assets, and profitability.

🔸 **Mr. Kaushal A. Bhatt ("Saurastra University" 2012)** " An Assessment of Indian Information Technology Companies Listed on National Stock Exchange by Pearls Analysis: An Analytical Study" The Researcher published a PhD Thesis in it he has tried to assess the financial stability of the selected companies using PEARLS technique developed by WOCCU (World Council for Credit Unions, USA) which includes the basic six parameters; they are **P**rotection, **E**ffective Financial Structure, **A**sset quality, **R**ates of Return and Costs, **L**iquidity and **S**ings of Growth. All these parameters help in measuring the financial performance of the Company. The research emphasizes on the comparative study of selected Indian Information Technology Companies listed on NSE.

🔸 **Paul Jones, (U. K., February 2005)** "Creating wealth in the West Midlands through sustainable credit unions" represented in this research project is that: This action research project, "Creating wealth in the West Midlands through sustainable credit unions", marks a step forward in understanding the organizational development of credit unions as quality financial institutions. The project has aimed to help credit unions restructure in ways that prioritize financial discipline, economic strength, professionalism and quality in financial services. This involved encouraging business and market oriented practices, modernized lending procedures, a new financial structure and PEARLS ratio analysis as well as a more entrepreneurial and enterprise-driven culture.

OBJECTIVES

For the study, following are the objectives to be taken by the researcher.

🔸 To analyze the Liquidity ratios of selected textile companies in India during the study period.

🔸 To get deep knowledge of Liquidity indicators of selected companies.

🔸 To suggest an appropriate suggestions for improvement of liquidity soundness of selected companies of textile industry in India.

HYPOTHESIS

Hypothesis of the study are as under.

1.	HO = There would be no significant difference in Short Term Investments + Liquid Assets - Short Term Payables to Savings Deposits ratio (L1) of selected textile companies during the study period.

	H1 = There would be significant difference in Short Term Investments + Liquid Assets - Short Term Payables to Savings Deposits ratio (L1) of selected textile companies during the study period.

2.	HO = There would be no significant difference in Total Liquidity Reserves to Total Savings Deposits ratio (L2) of selected textile companies during the study period.

	H1 = There would be significant difference in Total Liquidity Reserves to Total Savings Deposits ratio (L2) of selected textile companies during the study period.

3.	HO = There would be no significant difference in Non-Earning Liquid Assets to Total Assets ratio (L3) of selected textile companies during the study period.

	H1 = There would be significant difference in Non-Earning Liquid Assets to Total Assets ratio (L3) of selected textile companies during the study period.

RESEARCH METHODOLOGY

	The researcher has been used simple random sampling for calculating PEARLS financial ratios. The researcher has been used secondary data from various annual reports of selected companies and websites. The study period is of ten years duration; 2007-08 to 2016-17.The researcher been calculated data by using accounting tool as PEARLS financial ratios analysis. The researcher has been used one way ANOVA test for hypothesis testing.

DATA ANALYSIS

	Following Table 1 shows average ratios of top ten years of selected companies.

TABLE 1: LIQUIDITY RATIOS

ratios	AVERAGE RATIOS									
	Grasin	Welspur	Vardhman	Raymond	Arvind	Ruby Mills	Donear	Garden	SL	Richa
1	0.68	0.98	7.69	3.8	3.02	3.71	3.13	1.1	4.43	2.38

| 2 | 5.31 | 7.34 | 28.35 | 23.22 | 29.1 | 30.55 | 14.18 | 6.4 | 133.59 | 21.83 |
| 3 | 0.76 | 7.63 | 3.67 | 4.14 | 2.71 | 3.9 | 3.9 | 3.46 | 0.28 | 2.54 |

(Source: Annual Report of Selected Textile Companies)

INTERPRETATION

- L1: If we compare all averages ratio of L1, BSL Ltd. stood first as the Indian Textile Company in Short Term Investment + Liquid Assets – Short Term Payable to Total Saving Deposits ratio, followed by Richa Industries Ltd. and Vardhman Ltd.

- L2: If we compare all averages ratio of L2, then Garden Silk Mill Ltd. stood first as the Indian Textile Company in Liquidity Reserve to Total Savings Deposits ratio, followed by Welspun Ltd. and Ruby Mills Ltd.

- L3: If we compare all averages ratio of L3, then BSL Ltd. stood first as the Indian Textile Company in Non – Earning Liquid Assets to Total Assets ratio, followed by Richa Industries Ltd. and Arvind Ltd.

HYPOTHESIS TESTING

Following Table 2 represents one way ANOVA of selected Liquidity ratios

TABLE 2: One way ANOVA of selected Liquidity ratios

Ratios	Calculated Value	Table Value	F > Ft or F < Ft	HO or H1
L1	51.76	1.99	F > Ft	H1
L2	36.71	1.99	F > Ft	H1
L3	7.29	1.99	F > Ft	H1

Above table represents the table value 1.99 at 5% level of significance. Here, calculated values of all selected ratios are higher than the table value as 51.76 (L1), 36.71 (L2), 7.29(L3). Thus in relation to Liquidity ratios, there is a significant difference between selected Textile companies during the study period. As a result, here null hypothesis is rejected and alternate hypothesis is accepted.

FINDINGS OF THE STUDY

- L1: All selected companies represents mixed trend during the study period. BSL Ltd. and Richa Industries Ltd. have higher ratios compare to all other companies' average. Welspun Ltd. was the least rank company in said ratio.

- L2: All selected companies shows mixed trend during the study period. BSL Ltd. and Grasim Ltd. have higher ratios compare to all other companies' average. BSL Ltd. was the least rank company in said ratio.

- L3: All selected companies represents mixed trend during the study period. Welspun Ltd. and Raymond Ltd and have higher ratios compare to all other companies' average Welspun Ltd. was the least rank company in said ratio.

SUGGESTIONS OF THE STUDY

In Short Term Investment + Liquid Assets – Short Term Payable to Total Saving Deposits ratio (L1), it shows that BSL Ltd., and Richa Industries Ltd. stood near the standard ratio indicating better liquidity position over other selected textile companies of India. In (L2) ratio, Garden Silk Mill Ltd. and Welspun Ltd. stood within standard, other companies should try to achieve the standard position. As per (L3), Only BSL Ltd. stood within the standardized parameter while other selected textile companies should reduce investment in non earning liquid assets in order to achieve optimum position.

CONCLUSION

PEARLS are a supervisory tool for regulators. The companies fall under textile Industries will have to be assessed to have proper industry picture. The study reveals that selected companies have been working well during the study period. It is also observed that BSL Ltd. have very high liquidity reserves to saving deposits so its reserve is the highest amongst selected companies during the period under review. It was also found that some companies faced problem in many ratios and has to solve this problem. It can also be concluded that the Liquidity ratios performance of all the selected companies is comparatively good.

LIMITATIONS OF THE STUDY

The researcher has been used secondary data. Thus the limitations secondary data affect the present study. The researcher has been used only Liquidity ratios for analysis, if these ratios will changed, the result will also be changed. The researcher has been used Indian Textile companies as sample, if the sample companies will changed, the result will also be changed. The researcher has been used PEARLS financial ratios for calculation and analysis. Thus the limitations of the calculated ratios are also the limitations of this paper. The research work is done with the sample size of ten companies. So, the reason of rejecting or accepting null hypothesis may be the size of sample selected in this study work. Thus these selected companies may be less representative of whole Indian textile industry.

SCOPE FOR THE FURTHER STUDY

There is also a further scope for research on PEARLS in India. In further research may select different type of ratio for measuring efficiency of the companies. The further research may apply different ratios other than Liquidity ratios. This further research may apply different test of hypothesis.

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