



## POTHYS: A FINANCIAL ANALYSIS AND RECOMMENDATIONS - AN ANALYTICAL STUDY

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### ABSTRACT

The textile industry of India plays a substantive role in the economy. This is one of the largest industries in India in terms of employment generation, and earning foreign exchange. The paper focuses on the financial strength of the textile sector in India. And to know that up to what extent textile sector has used their available resources effectively. For this purpose profitability, liquidity and solvency position of textile companies has examined. In this paper comparative ratio analysis technique has used to know the financial soundness of textile companies. The result shows the profitability margins has slightly different due to volatile textiles market and volatility in raw material prices. The liquidity and solvency position is almost same in all the textile companies.

**Keywords:** Company, Liquidity, Profitability, Solvency, Textile.

### ABOUT SRI VASAVI THANGA MAALIGAI

Pothys has established itself as house hold name in the textile industry in Tamil Nadu. Our undisputed reputation stems from our unflinching dedication to give you the highest quality, exclusive and diverse clothing options and unmatched customer service. Our hard work, dedication and perseverance has earned us the distinction of being voted the most preferred saree showroom in Chennai, according to SUN TV Neilson survey in the year 2002. We are also the first retail showroom in Tamil Nadu

to be accredited with ISO 9001 certification way back in 2003. Pothys desire to innovate and excel in silk manufacturing won us the Guinness World Record in the year 2005 for creating the world's longest silk saree. Our showrooms house the largest collection of silk sarees in Tamil Nadu. At Pothys you get the benefit of diverse silk varieties, exclusive designs and authentic silk brands. Yes, Pothys is the first Textile showroom in Tamil Nadu to launch its own unique brand of silk sarees namely Samudrika, Parampara and Vastrakala. These silk brands stand apart for their richness in silk, exclusivity in

design and luxury, genuine zari work and weaving artistry for that special look and feel. Our branded silks are truly heirlooms in their own right and are designed to last for generations to come. The house of Pothys has a rich legacy and vibrant history, our fore fathers served as weavers to the royal households of the maharajas of yesteryears. Pothys itself was established over 90 years back by K.V. Pothy Moopnar our founding father, under the name Pothy Moopnar to sell cotton sarees, dhotis and towels woven in his own loom. Thus our first showroom was set up at Srivilliputtur. Pothys is a chain of textile showrooms in South India. Originally they exclusively sold silk sarees, but today all types of garments are sold. The flagship store in Chennai is called Pothys' Palace.

Pothys (stylized as POTHYS) was established in 1923 by K. V. Pothy Moopnar under the name Pothy Moopnar to sell cotton sarees and dhotis woven on his own loom. K.V. Pothy Moopnar born in Srivilliputhur belongs to a heritage family of Weavers. In 1977, his son K. V.P. Sadayandi Moopnar was able to establish the name and expand the outfit with a self-styled retail showroom at Srivilliputhur, re-christened 'POTHYS'. Their next showroom was opened in 1986 in Tirunelveli. Pothy Moopnar's children and grandchildren run the business today. Hurun Report ranked Sadayandi Moopnar as the 260th richest Indian with ₹2,800 crore fortune in its 2017 list.

## **INTRODUCTION**

Finance is the art and science of managing money. Finance is regarded as the life blood of a business enterprise. In

general, finance may be defined as the activity concerned with planning, raising, controlling and administering of the funds used in the business. Financial Management is concerned with the duties of the financial managers in the business firm.

Financial Management is concerned with the management decisions that results in the acquisition and financing of long term and short term credits of the firm. As such it deals with the situations that require selection of specific assets (or combination of liabilities) as well as the problem of the size and growth of an enterprise.

Financial statement analysis is the process an individual goes through to analyze a company's various financial documents in order to make an informed decision about that business. While the specific data contained within each financial statement will vary from company to company, each of these documents is designed to offer insight into the health of the company. They are also essential to monitoring a company's performance over time, as well as understanding how a company is progressing toward key strategic initiatives.

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 some business firm. It may show a position at a moment of time as in the case of balance sheet or may reveal a series of activities over a given period of time, as in case of an income statement.

Thus, the term financial statement generally refers to the basic statements:

- a. The income statement
- b. The balance sheet.

## **REVIEW OF LITERATURE**

**Simpson and Shetty (2017)** did a vast study on India's textile industry. The purpose of study is to analyze India's textile and apparel industry, its structural problems, market access barriers, and measurements taken by government of India to enhance the industry's competitiveness in the post - Multifibre Agreement (MFA) era. The study also assesses India's textile and apparel market potential and trade and investment opportunities for U.S. firms as India steps into a more free and transparent trade regime. For the purpose of study exploratory study is done in which in-depth interviews are done with various government officials in Textile Export Promotion Council, Ministry of textile, Cotton Council of India, Apparel Export Promotion Council (AEPC), Federation of Karnataka Chamber of Commerce and Industry, Handloom Export Promotion Council, Madras Chamber of Commerce and Industry, The South India Textile and Research Association, and almost all top executives of India's large textile mills.

**Meenakshi (2017)** did a comprehensive study on the opportunities that would be provided by WTO to Indian Textile industry. This paper gives a lot emphasis on new capacity installation to take the benefits to the fullest extent in India has to be a true gainer in competition to other nations. Since India's own consumption per capita is also on the rise with the rise of income and consumption habits, the profit margins available to Indian textile and clothing producers will be more. But in export market, the prices will be driven by international factors and profits

will be under pressure. So the exporters might have to go for strategy of partial exports and partial domestic sale.

**Singh and Kathuria (2017)** in his article discussed in details the problems faced by Indian garment exporters in post quota regime. The study focuses on the analysis of problems of garment exporters located in Ludhiana and Delhi. It highlights the factors which are hindrance in the growth of garment exports from the region and important determinants in increasing the exports share from the region.

**Indhumathi, et al., (2017)** in her research "A study on financial statement of selected textile companies in India" from the year 2012 to 2017 they made an attempt to know the profitability and financial position of selected textile companies. Tools that used for the study is profitability ratio, overall financial position. They found that the overall financial statement of selected textile companies was not stable. It fluctuates. To strengthen the financial position, long term funds have to be used to finance. The companies should try to use properly their operating assets and minimize their non-operating expenses.

**Subha, et al (2018)** in her study "Financial statement of textile industry in Tamil Nadu with special reference to Coimbatore" from the year 2013 – 2018, the objective of the study is to analyzed the profitability of selected textile companies in Coimbatore. Tools used in the study are ratios, common size balance sheet, and comparative balance sheet. They had concluded that the financial statement of spinning mills was good, where as it was not

satisfactory for Gangotri textile ltd and Lakshmi mills ltd due to negative.

search for new facts in branch of knowledge”

### **RESSEARCH OBJECTIVES**

To conduct the company study, the following objectives were drafted:

- The basic objective of the study is to analyses the financial statement of Pothys for the period of 2018-2022.
- To study the profitability position of the textile industries.
- To analyze the ratios to find out the efficiency of textile industries.
- To evaluate the textile industry to meet its current obligation.
- To suggest ways and means to improve the present condition.

### **SCOPE OF THE STUDY**

The study was conducted on the analysis of financial statement with special reference to Pothys at Trichy in order to know about the performance of the company for the preceding five years. The scope of the study is defined in terms of the textile industry annual report. The study is mainly based on the availability of the financial data provide by the company. This study helps to know about financial position of the company. It helps to measure the profitability position of the industry.

### **RESEARCH METHODOLOGY**

Research is a process in which the researchers wish to find out the end result for a given problems and thus the solution helps in future course of action. The research has been defined as “A careful investigation or enquiry especially through

### **SOURCES OF DATA**

Only the secondary data has been used in project study. The research himself being an external one and doing study as a part of curriculum had to depend mainly upon secondary data for the different aspects, Hence the data required for the study where collected mostly from the annual report manuals and accounts of Pothys, and various magazines and journals.

### **WORKS OF ANALYSIS**

To arrive at research findings and the conclusion of the present study, ratio analysis, cash flow statement, fund flow statement and comparative balance sheet analysis have been used.

### **STATISTICAL TOOLS USED**

#### **RATIO ANALYSIS**

Ratio analysis is a form of financial statement analysis that is used to obtain a quick indication of a firm’s financial performance in several key areas. The ratios are categorized as short-term solvency ratios, ratios, debt management ratios, asset management ratios, profitability ratios, and market value ratios. Ratio analysis as a tool possesses several important features. The data, which are provided by financial statement, are readily available. The computation of ratios facilities the comparison of firms which differ in size. Ratios can be used to compare a firm’s financial performance with industry averages. In addition, ratios can be used in a form of trend analysis to identify areas

where performance has improved or deteriorated over time.

### **COMPARATIVE BALANCE SHEET**

Comparative financial statement analysis provides information to assess the direction of change in the business. Financial statements are presented as on a particular date for a particular period. The financial statement balance sheet indicates the financial position as at the end of an accounting period and the financial statement income statement shows the operating and non-operating results for a period. But financial managers and top management are also interested in knowing whether the business is moving in a favorable or an unfavorable direction. For this purpose, figures of current year have to be compared with those of the previous years. In analyzing this way, comparative financial statement are prepared.

### **TREND ANALYSIS**

In financial analysis the direction of changes over a period of years of crucial importance time series or trend analysis of ratios indicated the direction of changes. This kind of analysis is particularly applicable to the items of profit and loss account. Under this technique, information for a number of years is taken up and year (usually the first year) is taken as the base year. Each item of the base year is taken as 100 and in that basis; the percentages for other years are calculated.

### **PROFITABILITY INDICATORS OF THE MONITORED BUSINESS SUBJECT**

The profitability indicator of return on sale interprets that the business subject has reached a profit increase, which was highest in 2012 with the value 13.98 %. This was caused by a larger amount of orders and subsequently the increase of supplies at the date of the report compilation. In the following two years this value decreased due to a slight change of sales return state which stabilised to the level 11.18 % and 11.68 %.

The return on sales shows a similar trend to the operating return on sales. Until 2012 the operating return on sales has shown an increase, when the indicator reached almost 17.65 % mainly due to the lower return on sales of their own products and services and due to higher profit from business activity operations. In the last two years the income from operations stabilised yet the revenues increased, which caused the indicator to decrease to 13.90 % and to 13.74 %.

Once again, in 2012, the share of added value to revenues, displayed the highest value at 35.90 %, which for the business subject over the last 6 years was the most successful, Within the next two years, a lower value occurred mainly due to change of revenues size from the sale of their products and services. The indicator shows overall positive progress. The positive profitability of the total capital reflects the production power, and provides details about the effective asset utilisation and thus the assets of the business subject. This indicator has been increasing every year and the highest value reached in 2013 of 16.50 %. In the following year, only a small decline to 14.03 % occurred mainly due to the merger with a minor business subject and due to the

increase in fixed assets of land, buildings and non-fixed assets.

Return on equity invested by the owners into the business, reached a positive value as well, which is a positive signal for the business subject's owners. It is worth noting 2013, in which the return on equity reached the level of 45.59 %. This was caused by a decrease of retained earnings, which means, that the profit was redistributed among owners of the public limited company via dividends reimbursement. In the latest year the return on equity value declined to 31.14 % due to capital funds subsidies.

## CONCLUSION

In the present turbulent competitive environment the financial analysis is an essential part of monitoring the business subject and is an important tool to support the decision making of various stakeholder groups. Also it provides a picture or feedback about the whole condition of business subject and their development and about a condition of individual operation areas. This analysis is able to identify factors that with the largest stake have caused undesirable results within the business subject. Through prediction models of financial-economic analysis the business subject is able to predict their future development and possible option for bankruptcy.

Among the benefits of this article belongs financial-economic analysis focused on the business subject's ratio indicators of activity, profitability, liquidity and indebtedness itself. Related proposals mentioned in this article for weaknesses elimination which were found by financial

analysis are focused on practical use in the business subject's experience.

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