Trends and Factors Affecting the Profitability of selected textile Mills in Gujarat.

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Abstract:
The textile industry in India is one of the country's oldest and most significant economic sectors. It has evolved over centuries from traditional handlooms to modern, technology-driven manufacturing and remains a cornerstone of the nation's economy. This is one of the largest industries in India in terms of employment generation, and earning foreign exchange. The profitability of the textile industry is multifaceted, influenced by cost management, technological advancements, government policies, and market dynamics. Recently Gujarat government also launched new textile policy for Gujarat textile industry. Profits are the ultimate test of any management's effectiveness. Profitability means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. The present study is aimed to study the factors influencing the Profitability position of selected textile miles in Gujarat.

1. INTRODUCTION
The Indian textile industry is a major player in both the domestic and global textile economies. Its contribution to industrial production, employment creation, and foreign exchange profits are all examples of how it has shaped the Indian economy. The Confederation of India Textile Industry Report (CITI) states that the export of apparel and textiles alone accounts for almost 27% of foreign exchange revenues. Approximately 14% of the nation's industrial production and 4% of its GDP come from the textile and apparel industry. Approximately 8% of the overall excise tax revenue is collected by the textile sector. The textile sector is so significant that it contributes up to 21% of all jobs created in the economy. There are about 35 million people that work directly in the textile manufacturing sector. It is possible to estimate that an additional 60 million people are employed indirectly, including those working in the trade and handling of agriculturally based raw materials like cotton.

Gujarat's textile industry stands as a vital pillar of the state's economic and cultural landscape. With a rich heritage that dates back centuries, the region has evolved from traditional handloom practices to a modern, technologically advanced manufacturing hub. Often hailed as the "Manchester of India," cities like Ahmedabad and Surat have played a pivotal role in shaping this vibrant sector. This unique industry structure is primarily a legacy of government policies that have promoted labour-intensive, smallscale operations.

In 2024, the textile industry in India contributed about 2% to the country's GDP. It also contributed 10% to industrial production and 8.21% to exports. So, it is necessary to identify the exact financial performance of textile companies by analyzing their profitability trends and solvency position. Gujarat envisioned building a strong foundry base for manufacture of agriculture, industrial and domestic pumps in India. Even recently Gujarat government launched new textile policy 2024. Hence, this study involves a study on trends and factors affecting the profitability of selected textile mills in Gujarat.

2. REVIEW OF LITERATURE

Shwetha M. N et al. (2024), the purpose of the study is to evaluate the financial performance of cotton processing plants. Adilabad and Nalgonda Districts in Telangana state were selected as study locations and data were gathered from a sample of 10 ginning mills, 10 spinning mills, 10 weaving mills, one dyeing and printing mill and one garment manufacturing unit by using the personal interview technique. To analyze the collected data breakeven analysis and profitability ratios namely gross profit margin, operating profit margin, pre-tax margin and net profit margin were worked out study revealed that all cotton processing plants are processing enough additional cotton than is required to achieve breakeven point and profitable ratios are also shown positive financial position and shock absorbing capacity of the processing units. As a result, the study suggests that the government should provide subsidies to the processing unit for the purchase of modern equipment. Additionally, as the majority of work is done with power, a steady supply of electricity should be guaranteed.

Mr. Hitarth Kansara and Dr. Sanjay R. Ajmeri (2021), the study examines the impact of financial leverage on capital structure in selected textile companies in Gujarat. It aims to determine the relationship between financial leverage and working capital. The study used a convenient sampling method and collected data for 5 years. The results show a significant relationship between working capital and financial leverage, indicating the importance of a strong capital structure for a company's survival.

Neha Sachdeva (2019), The present study is aimed to study the factors influencing the profitability position of selected Surat textile Industries. The profitability patterns and factors influencing the profitability of six public limited textile mills in Surat District are examined in this study. Additionally, this study serves as the foundation for additional research projects like risk and return analysis, inventory management analysis, working capital management analysis, and investment analysis. The current study was conducted just for textile mills, but it may also be conducted for other industries including manufacturing, automotive, and other trading concerns.

Dang, N.H., Ngo, T.X., Hoang, V.T.H. (2019) conducted research on the subject of "Evidence of Enterprises in Vietnam: Study the Impact of Growth, Firm Size, Capital Structure, and Profitability on Enterprise Value." The paper's goal is to investigate how enterprise value (EV) in Vietnam is impacted by growth, company size, capital structure, and profitability. A panel of 1070 observations from 214 businesses listed on the Vietnamese stock exchange between 2012 and 2016 was used in the study. According to the findings of the structural pathways analysis and generalized least squares regression, the enterprise value is negatively impacted by capital structure, while it is positively connected with size and profitability. However, the enterprise value is unaffected by the growth factor.

Kawshala, H., Panditharathna, K. (2017), conducted a study on the subject of "The Factors Effecting on Bank Profitability" in order to investigate the impact of bank-specific profitability factors in domestic commercial banks in Sri Lanka. For the investigation, a well-balanced panel data set including 60 observations of 12 domestic commercial banks in Sri Lanka from 2011 to 2015 is used. Profitability was determined to be the dependent variable, whereas bank size, capital, deposits, and liquidity were determined to be the independent factors. Return on assets, logarithm of total assets (size), equity ratio (capital), deposit ratio (deposit), and liquidity ratio (liquidity) were all employed in the study to determine profitability. Size, capital ratio, and deposit ratio are important bank-specific factors that influence bank profitability in Sri Lanka, according to regression analysis. These elements have a favorable correlation with the bank.

Vasanthi. R & Thandayuthapani. A (2017), 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.

Bhagyalakshmi (2016), He has demonstrated the in-depth notion of operating leverage and financial leverage in his work, "Leverage Analysis in Selected Cement Companies-A Study." This paper's goals were to examine the concepts of leverage, evaluate cement businesses' leverage, and assess the risk associated with those same cement companies. The researcher has used the statistical techniques like percentages, ratios and different types of correlation. In the end, it was found that the increased operating fixed costs are raising the financial risk.

Dr E. B. Khedkar(2015), The functional linkages between leverage and Dr. Reddy's laboratories' profitability have been brilliantly elaborated in his work, "A study of leverage analysis and profitability for Dr. Reddy's laboratories." The financial performance of Dr. Reddy's laboratories was examined in the research, along with the connection between profitability and financial leverage. The firm of Dr. Rady's laboratories is not maintaining optimal financial leverage, according to the paper's conclusion.

3. OBJECTIVES OF STUDY

The objectives of the present study include the following:

1. To measure the relationship between Net Sales and Net Profit of selected Textile Mills of Gujarat.
2. To analyse the various factors that affect the Profitability of selected Textile Mills of Gujarat.

4. HYPOTHESIS OF THE STUDY

H_{01}	There is no significant relationship between Net Sales and Net Profit.
H_{02}	There is no significant relationship between Profitability and other influencing factors.

5. RESEARCH METHODOLOGY

The present study is an analytical research based on secondary data only. The required data were collected from the profit and loss account, balance sheet and annual reports (2020 to 2024) of selected five textile mills in the Gujarat and the other relevant data were collected from books, journals, magazines, and e-journals available in the various websites.

5.1 Sampling Design

A sample of five textile mills has been selected. The sample technique used for the study is purposive sampling in which the samples are purposively selected based on the judgement of the researchers.

5.2 Period of the Study

The study covers the period of five years from 2019-20 to 2023-24.

5.3 Statistical tools

The data were analysed with the help of statistical tools like multiple regression analysis, T-test which are available in IBM SPSS and MS Excel.

6. DATA ANALYSIS AND INTERPRETATION

Relationship between Net Sales and Net Profit

H_0: There is no significant relationship between Net Sales and Net Profit.

Table: 1

Company	T value	Df	Sign(2 tailed)	Results
Betex India Ltd	8.61	8	0.000	Reject null hypothesis(H01)
Shri Dinesh Mills Ltd.,	3.86	8	0.004	Reject null hypothesis(H01)
Mahalaxmi Rubtech Limited	6.77	8	0.000	Reject null hypothesis(H01)
Meera Industries	14.62	8	0.000	Reject null hypothesis(H01)
Mafatlal Industries	4.77	8	0.001	Reject null hypothesis(H01)

Interpretation: From above Table-1 , It is observed that all the five textile mills taken for our study in the shows the highest positive relationship between net sales and net profit, because the significance value of t is less than 0.5. The null hypothesis is rejected and it is concluded that there is a relationship between net sales and net profit.

Factors Influencing Profitability

Multiple Regression Analysis is used to find the factors influencing the profitability of selected textile mills. Instead of a single independent variable, two or more independent variables are used to estimate the values of the dependent variable. The multiple regression equation describes the average relationship between these variables and this relationship is used to predict or control the dependent variable. The formula for calculating Multiple

Regression:

$Y = a + b_1(x_1) + b_2(x_2) + b_3(x_3) + b_4(x_4)$

Where,

Y - Profitability (Dependent variable)

a- Constant

(x_1) = Short term liquidity

(x_2)= Long term solvency

(x_3)= Stock Turnover

(x_4)= Fixed Asset management

b_1, b_2, b_3 and b_4 are regression coefficient.

Hypothesis H_0: There is no significant relationship between Profitability and other influencing factors.

Table 2 Multiple Regression **Factors Influencing Profitability**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.619[a]	.384	.260	89.40298

a. Predictors: (Constant), Fix_asset_mgt, Stock_turn, Short_liq, Log_Sol

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	252.736	58.315		4.334	.000
	Short_liq	-68.575	27.453	-1.032	-2.498	.021
	Log_Sol	-166.509	67.701	-1.319	-2.459	.023
	Stock_turn	-6.606	3.257	-.430	-2.028	.046
	Fix_asset_mgt	2.217	1.102	1.478	2.012	.048

a. Dependent Variable: Ret_on_asset

Regression equation:

Return on Assets Ratio = 252.74 -68.58 Short Term Liquidity – 166.51 Long Term Solvency - 6.61 Stock Turnover Ratio + 2.22 Fixed Assets Turnover Ratio

It is observed from the above table that five selected textile companies, ratio are having Sign. Value less than 0.05, means there is relationship between Short Term Liquidity , Long Term Solvency stock turnover and fixed assets to management ratio and return on investments. It is suggested that the textile mills should well concentrate on stock management in order to reach a higher profitability , textile mills should increase their Sales by encouraging more exports and It is also suggested that the textile mills should concentrate on short term liquidity and long term solvency as they also influence the profitability.

7. CONCLUSION

The present study analyses the profitability trends and the factors which are affecting profitability of five textile mills in Gujarat. This study also forms the basis for other research studies such as investment analysis, risk and return analysis, working capital management analysis and inventory management analysis etc. The present study is done only for the textile mills and it also to be done in the other business areas such as manufacturing, automobile and any other trading concerns etc.

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