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AN ANALYSIS OF FINANCIAL PERFORMANCE OF GARMENT PRODUCTS USING RATIO ANALYSIS WITH SPECIAL REFERENCE TO ARTHANARI CLOTHING PRIVATE LIMITED

Jothi Lingam K[1], Dr.T.N.Seenivasan[2]

[1]*II Year MBA Student, Gnanamani College of Technology (Autonomous), Namakkal.*
Email ID: jothilingam0522@gmail.com

[2]*Assistant Professor, Department of Management Studies, Gnanamani College of Technology (Autonomous), Namakkal.*

Abstract—*The financial performance of garment manufacturing companies plays a crucial role in their long-term sustainability and growth. Arthanari Clothing Private Limited, as a key player in the garment industry, faces various financial challenges related to profitability, cost management, working capital efficiency, and market fluctuations. The dynamic nature of the garment sector, characterized by changing consumer preferences, raw material price volatility, and intense competition, directly impacts the company's financial stability. This study aims to analyze the financial performance of Arthanari Clothing Private Limited by evaluating key financial indicators such as revenue growth, profitability ratios, cost structures, and liquidity. By identifying financial strengths, weaknesses, and potential risks, the study seeks to provide insights that can help the company improve its financial strategies and enhance overall performance in the competitive garment industry. The analysis of the financial performance of garment products with special reference to Arthanari Clothing Private Limited reveals important insights into the company's financial strengths and weaknesses. Through a detailed evaluation of profitability, liquidity, solvency, and operational efficiency, it is evident that the company has shown stable financial growth over the years, supported by efficient resource management and strong market presence. However, areas such as working capital management and cost control require continuous improvement to enhance overall performance. The findings suggest that while Arthanari Clothing Pvt. Ltd. is financially sound, adopting more strategic financial planning and industry-specific innovations will help strengthen its competitive edge. Overall, the study emphasizes the importance of regular financial analysis in ensuring long-term sustainability and profitability in the garment sector.*

Keywords: *Financial Performance, Financial Planning, Profitability, Cost Management, Working Capital Efficiency.*

INTRODUCTION

Non-Banking Financial Companies are financial companies which perform like banks, but they are not actual banks. These types of financial companies must be registered under Companies act, 1956. These financial companies engage in the business of financial loans and advances, acquisition of securities/bonds/debentures which are issued by Government or local authority or the marketable securities of a like nature, leasing, hire- purchase, insurance business, chit business but does not include whose prime principal business is that of agricultural activity, industrial activity, purchase or sale of any goods. A Non-Banking Financial Companies have the head business of accepting stores under any plan or course of action in one singular amount or in portions by method for commitments or in some other way, is additionally a non-banking budgetary organization.

NBFCs garnered the attention of the Reserve Bank of India ('RBI') when several depositors lost their money, during the failure of several banks in the late 1950s and early 1960s. To prevent the large number of depositors, RBI initiated regulating them by introducing Chapter IIIB in the Reserve Bank of India Act, 1934.In March 1996, there were around 41,000 NBFCs in India and they were not recognized as a separate class. However, due to the failure of some of the institutions the regulatory structure along with the reporting and supervision was constricted by RBI. In the late 90s, sweeping changes were brought to protect the interest of depositors and ensure the desired functioning of NBFCs.

STATEMENT OF THE PROBLEM

The financial performance of garment manufacturing companies plays a crucial role in their long-term sustainability and growth. Arthanari Clothing Private Limited, as a key player in the garment industry, faces various financial challenges related to profitability, cost management, working capital efficiency, and market fluctuations. The dynamic nature of the garment sector, characterized by changing consumer preferences, raw material price volatility, and intense competition, directly impacts the company's financial stability. This study aims to analyze the financial performance of Arthanari Clothing Private Limited by evaluating key financial indicators such as revenue growth, profitability ratios, cost structures, and liquidity. By identifying financial strengths, weaknesses, and potential risks, the study seeks to provide insights that can help the company improve its financial strategies and enhance overall performance in the competitive garment industry.

OBJECTIVES OF THE STUDY

- To evaluate the overall financial performance of Arthanari Clothing Private Limited based on key financial indicators.
- To analyze the profitability trends of the company and assess the factors influencing its financial growth.
- To examine the cost structure and revenue generation of garment products to identify areas for cost optimization.
- To study the impact of market trends and demand fluctuations on the financial performance of the company.
- To assess the efficiency of working capital management and its role in maintaining financial stability.

SCOPE OF THE STUDY

This study focuses on analyzing the financial performance of garment products with special reference to Arthanari Clothing Private Limited. It evaluates key financial indicators such as revenue, profitability, cost structure, and liquidity to assess the overall financial health of the company. The study examines profitability trends, return on investment (ROI), and factors influencing financial growth. Additionally, it analyses the cost structure, including production costs, labor expenses, and pricing strategies, to understand their impact on profitability. Furthermore, the study assesses the efficiency of working capital management and cash flow stability to determine the company's financial sustainability. It also investigates financial risks, supply chain disruptions, and other challenges that may impact on the company's long-term financial stability. The study primarily focuses on the financial performance of Arthanari Clothing Private Limited but may include industry-wide financial trends for a broader perspective. Covering financial data over a specific period, the study aims to identify growth patterns and performance fluctuations. Finally, based on the findings, recommendations will be provided to improve financial strategies and enhance profitability.

LIMITATIONS OF THE STUDY

- Limited Scope of Data – The study is restricted to the financial performance of Arthanari Clothing Private Limited and may not fully represent the entire garment industry.
- Time Constraints – The analysis is based on financial data from a specific period, which may not capture long-term trends or fluctuations in performance.
- Dependence on Secondary Data – The study relies on financial statements, reports, and other secondary sources, which may have limitations in accuracy and completeness.
- Market and Economic Fluctuations – External factors such as inflation, exchange rates, and global economic conditions may influence financial performance but are beyond the scope of this study.
- Limited Access to Confidential Information – Certain financial details and strategic data of the company may not be publicly available, affecting the depth of analysis.

RESEARCH METHODOLOGY

Research methodology is a systematic procedure of collecting information to analyze and verify phenomenon with the help of data. The research process includes various steps such as formulating problem extensive survey, preparing the research design, collection of data and preparation of the report.

RESEARCH DESIGN

The research design of this project study is analytical. Here the facts and information are already available to make analysis.

NATURE OF DATA

The data required for the study has been collected from secondary sources and the relevant information was taken from

- Annual reports
- Journals
- Internet
- Audit reports
- Records
- Books

METHODS OF DATA ANALYSIS

The data collected were edited, classified, and tabulated for analysis. Analytical tools used for the study.

TOOL APPLIED

To have a meaningful analysis and interpretation of various data collected the following tools were made for this study.

- Ratio analysis

DATA ANALYSIS AND INTERPRETATIONS

RATIO ANALYSIS

1. **LIQUIDITY RATIO**

CURRENT RATIO

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2015-2016	3216438322	2425494833	1.32
2016-2017	3590324287	4074616672	0.88
2017-2018	3458249026	3989799577	0.87
2018-2019	3377137651	3929060792	0.85
2019-2020	3263049913	3831458142	0.85
AVERAGE RATIO			0.954

The objective of computing current ratio is to measure the ability of the firm to pay off its obligation in time. A current ratio of 2:1 indicates a highly solvent position.
In the above chart, the current ratio calculation shows the highest value 1.33 in the year 2016 and lowest value 0.85 for the year 2019 and 2020. The current ratio would be highest in 2016 because of decreased current liability. That is advance due by value for the year 2016 is less as compared to others. That's why the current asset ratio is higher. Also, the current ratio is less in the year 2019 and 2020 because of decrease in current assets. This is because of the decreased value of cash at the bank. Hence it is clear that the short-term liquidity position of the firm is not good and also the liquidity position of the firm is not satisfactory.

QUICK RATIO

$$\textbf{QUICK RATIO} = \frac{\textbf{QUICK ASSETS}}{\textbf{CURRENT LIABILITIES}}$$

QUICK ASSET RATIO

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2015-2016	3521429890	2425494833	1.45
2016-2017	3119713852	4074616672	0.75
2017-2018	3325670194	3989799577	0.83
2018-2019	3279103752	3929060792	0.83
2019-2020	3089161490	3831458142	0.80
AVERAGE RATIO			0.932

A quick ratio indicates whether the firm is in a position to pay its current liabilities within a month or immediately. The standard ratio is 1: 1.

From the above graph, the quick ratio with value 1.45 in the year 2016 is higher and in the rest of the year it is near to standard value one. The quick ratio is highest for the year 2016 because of decrease in current liability. That advance is due by value for the year 2016 is less than compared to other years.

ABSOLUTE LIQUIDITY RATIO

$$\textbf{ABSOLUTE LIQUIDITY RATIO} = \frac{\textbf{ABSOLUTE LIQUIDITY ASSET}}{\textbf{CURRENT LIABILITIES}}$$

ABSOLUTE LIQUIDITY RATIO

YEAR	ABSOLUTE LIQUIDITY ASSET	CURRENT LIABILITIES	ABSOLUTE LIQUIDITY RATIO
2015-2016	248332789.31	2425494833	0.10
2016-2017	194963394.5	4074616672	0.04
2017-2018	267884055	3989799577	0.06
2018-2019	216829305	3929060792	0.05
2019-2020	179062534.1	3831458142	0.04
AVERAGE RATIO			0.058

The acceptable norm of this ratio is 0.75: 1. Hence the absolute ratio is high during 2016 with 0.1 and lowest during the year 2017 and 2020 with value 0.04. Here also the current liabilities are very much less compared to other years. The absolute ratio would be highest in 2016 because of decreased current liability. That is advance due by value for the year

2016 is less as compared to others. That's why the absolute ratio is higher. Hence, we concluded that the absolute liquidity ratios are below the satisfactory level.

1. **LEVERAGE RATIO**

TOTAL DEBT EQUITY RATIO

YEAR	TOTAL DEBT	EQUITY	TOTAL DEBT EQUITY RATIO
2015-2016	4211328650	650000000	6.47
2016-2017	4462991934.67	387348411	11.52
2017-2018	4378090865.41	387264437.1	11.30
2018-2019	4318582954.69	388495311	10.21
2019-2020	4221000305.25	388515311.1	10.86
AVERAGE RATIO			10

The total debt equity ratio measures the relative proportion of debt and equity in financing the assets of a firm. The ideal debt equity ratio is 1:1 that the funds provided by outsiders and shareholders must be equal. Debt equity ratio indicates the degree of protection the creditors have. A high ratio indicates a higher proportion of debt content in the capital structure.

Here the ratios are very high all year. The total debt equity ratio for the year 2017 is highest with the value 11.52 and less value in the year 2016. The debt equity ratio for the year 2016 is lowest because of increased value of equity (shareholders fund). So we can conclude that the firm depends on debt or external borrowings.

PROPRIETARY RATIO

$$\text{PROPRIETARY RATIO} = \frac{\text{SHAREHOLDERS FUND}}{\text{TOTAL ASSET}}$$

PROPERIETARY RATIO

YEAR	SHAREHOLDERS FUND	TOTAL ASSET	PROPRIETARY RATIO
2015-2016	650000000	4211328650	0.15
2016-2017	387348411	4462991934.67	0.086
2017-2018	387264437.1	4378090865.41	0.089

2018-2019	388495311	4318582954.69	0.089
2019-2020	388515311.1	4221000305.25	0.092
AVERAGE RATIO			0.10

Proprietary ratio shows how much funds have been contributed by the shareholders in the total assets of the firm. Generally, a ratio of 0.5:1 or more is considered ideal. It indicates the long-term financial position of the firm and in turn, indicates the financial health of the firm. A higher proprietary ratio indicates that the firm is less dependent on creditors for its working capital

In the above table and graph the proprietary ratio is very high in the year 2016 and it is because of higher value of shareholder's fund. And the rest of the years the proprietary ratio is very much less because of increased value of total asset that is investment values has drastic increase in all the years.

<u>LONG TERM DEBT TO SHAREHOLDERS NET WORTH</u>

$$\text{LONG TERM DEBT TO SHAREHOLDERS NET WORTH} = \frac{\text{LONG TERM DEBT}}{\text{SHAREHOLDERS FUND}}$$

LONG TERM DEBT TO SHAREHOLDERS NET WORTH RATIO

YEAR	LONG TERM DEBT	SHEREHOLDERS FUND	LONG TERM DEBT TO SHAREHOLDE RS NET WORTH RATIO
2015-2016	1785833817	650000000	0.27
2016-2017	388375262.7	387348411	1
2017-2018	388291288.8	387264437.1	1
2018-2019	389522162.7	388495311	1
2019-2020	389542162.7	388515311.1	1
AVERAGE RATIO			0.854

The long-term debt to shareholder's net worth ratio is constant for four years (2017-2020) and less for the year 2016. This ratio is lower because of the higher value of long-term debt in the year 2016. That is in 2016 the shareholders' value is too much higher than compared to other years. The average ratio of these five years is 0.854. So, all year they performed good.

FIXED ASSET RATIO

$$\text{FIXED ASSET RATIO} = \frac{\text{FIXED ASSET}}{\text{CAPITAL EMPLOYED}}$$

FIXED ASSET RATIO

YEAR	FIXED ASSET	CAPITAL EMPLOYED	FIXED ASSET RATIO
2015-2016	71698266.53	1785833817	0.04
2016-2017	80231449.9	388375262.7	0.20
2017-2018	86857590.7	388291288.4	0.22
2018-2019	111311550.2	389522132.7	0.28
2019-2020	132323958	389542163.3	0.33
AVERAGE RATIO			0.21

Fixed asset ratio is calculated to know whether the fundamental principle of sound financial policy that all fixed assets must be financed out of capital employed is followed or not. The ratio helps in ascertaining the proportion of long-term funds invested in fixed assets. A higher ratio indicates that the financial position is not sound whereas a lower ratio indicates a better financial position.
From the graph we can see that the fixed asset ratio for the year 2019 is higher than all other values. This is because the fixed asset value for the year 2019 is higher than compared to other years because of increased value of investments. So, we can understand that the ratio indicates a better financial position. And decreased value of fixed asset ratio in the year 2016 is due to increased value of capital employed.

FINDINGS

1. It is found that the current ratio, quick ratio and absolute ratio under liquidity ratio from the 5-year 2016 to 2020 were below the standard norms. The current liabilities remain higher than current assets in all five years, which means that the firm is not able to meet the short- term limitations.
2. For leverage ratios, the total debt equity ratio shows the proportions of equity and debt a company is financing its assets. Here shows a higher debt equity ratio indicates that the company is getting more of its financing by borrowing money, which subjects the company to potential risks if debt levels are too high.
3. Activity ratios assess how effectively a company can generate revenue in the form of cash and sales based on its assets, liability and capital share. Here shows a lower ratio indicates that too much capital is tied up in assets and that assets are not being efficiently in generating sales.
4. Profitability ratio is used to evaluate the company's ability to generate income as compared to its expenses and other costs associated with the generation of income during a particular period. So, by assessing all the ratios, we can say that the company is not profitable.
5. Trend analysis conducted for sales shows an increase in net sales for the whole year.

6. Trend analysis made for current assets are increasing for a while but later it shows a huge decreasing trend.
7. Trend analysis made for fixed assets shows an increasing trend. It will help to improve the sales
8. Trend analysis made for working capital shows decreasing trends for the whole year.
9. Using Du-Pont analysis it is being identified tat profit margin; asset turnover and leverage factor are the drivers of return on equity.
10. According to regression analysis, the profit for the future period shows negative growth.
11. According to the regression analysis, the sales show positive trends even though the future profits are negative. So, companies can survive by reducing the cost of production.

SUGGESTION

This project is titled "An Analysis of Financial Performance of Garment Products with Special Reference to Arthanari Clothing Private Limited." It aims to study and evaluate the financial health and performance of Arthanari Clothing Pvt. Ltd., a notable player in the garment manufacturing sector. By examining key financial indicators such as profitability, liquidity, solvency, and efficiency, the study provides insights into how well the company is managing its resources and sustaining its operations in a competitive market. The analysis is intended to highlight both the strengths and challenges faced by the company in terms of financial stability and growth potential. This focused study not only sheds light on Arthanari Clothing's financial structure but also serves as a reference for similar businesses operating within the garment industry.

CONCLUSION

The analysis of the financial performance of garment products with special reference to Arthanari Clothing Private Limited reveals important insights into the company's financial strengths and weaknesses. Through a detailed evaluation of profitability, liquidity, solvency, and operational efficiency, it is evident that the company has shown stable financial growth over the years, supported by efficient resource management and strong market presence. However, areas such as working capital management and cost control require continuous improvement to enhance overall performance. The findings suggest that while Arthanari Clothing Pvt. Ltd. is financially sound, adopting more strategic financial planning and industry-specific innovations will help strengthen its competitive edge. Overall, the study emphasizes the importance of regular financial analysis in ensuring long-term sustainability and profitability in the garment sector.

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