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## **The Effect of Asset Management Practices on Profitability in Select Textile Companies in India**

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### ***Abstract:***

*Textile sector is the oldest and largest manufacturing sector in India. During the past decade, Indian textile industry was plagued with many issues such as regulations regarding to licensing and policy distortions which had fragmented the industry. And recently textile industry facing problems like technological obsolescence and poor productivity of labor and machine. It results low levels of sales and profits. The industry requires utilizing its assets efficiently and effectively. Thereby it can improve productivity. The present study attempts towards the effect of asset management practices on profitability in select textile companies in Indian. The data have collected from five textile companies for a period of ten years i.e. from 2004-05 to 2013-14. We found that there is positive relationship of asset management practices on profitability of select textile companies in India.*

**Keywords:** *Assets management, productivity, profitability, textile industry*

### **1. Introduction**

An asset is a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit. In financial accounting, an asset is an economic resource. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset. Simply stated, assets represent value of ownership that can be converted into cash although cash itself is also considered an asset.

- Asset Management: “Asset management is a systematic process of deploying, operating, maintaining, upgrading, and disposing of assets cost-effectively. The term is most commonly used in the financial world to describe people and companies that manage investments on behalf of others”.

Asset Management may be defined as a comprehensive and structured approach to the long term management of assets as a tool for the efficient and effective delivery of community benefits. The emphasis is on the assets being a means to an end, not an end in them (Austroads, 1997). Asset management refers to a systematic process of effectively maintaining, upgrading and operating assets , combining engineering principles with sound business practice and economic rationale and providing the tools to facilitate a more organized and flexible approach for making decisions necessary to achieve expectations of stake holders and the public.

#### ***1.1. About the Textile Industry***

India Textile Industry is one of the leading textile industries in the world. Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world.

India textile industry largely depends upon the textile manufacturing and export. It also plays a major role in the economy of the country. India earns about 27% of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14% of the total industrial production of the country. It also contributes around 3% to the GDP of the country. India textile industry is also the largest in the country in terms of employment generation. It not only generates jobs in its own industry, but also opens up scopes for the other ancillary sectors. India textile industry currently generates employment to more than 35 million people.

### 1.2. Various Categories

Indian textile industry can be divided into several segments, some of which can be listed as below:

- Cotton Textiles
- Silk Textiles
- Woolen Textiles
- Readymade Garments
- Hand-crafted Textiles
- Jute and Coir

The Textile Sector in India ranks next to Agriculture. Textile is one of India's oldest industries and has a formidable presence in the national economy in as much as it contributes to about 14 per cent of manufacturing value-addition, accounts for around one-third of our gross export earnings and provides gainful employment to millions of people. The textile industry occupies a unique place in our country. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial production, contributes to nearly 30% of the total exports and is the second largest employment generator after agriculture. in the textile industry is famous in our country.

### 1.3. Indian Textile Industry Structure and Growth

India's textile industry is one of the economies largest. In 2000/01, the textile and garment industries accounted for about 4 percent of GDP, 14 percent of industrial output, 18 percent of industrial employment, and 27 percent of export earnings (Hashim). India's textile industry is also significant in a global context, ranking second to China in the production of both cotton yarn and fabric and fifth in the production of synthetic fibers and yarns.

In contrast to other major textile-producing countries, mostly mostly small-scale, nonintegrated spinning, weaving, cloth finishing, and apparel enterprises, many of which use outdated technology, characterize India's textile sector. Some, mostly larger, firms operate in the "organized" sector where firms must comply with numerous government labor and tax regulations. Most firms, however, operate in the small-scale "unorganized" sector where regulations are less stringent and more easily evaded.

### 1.4. Structure of India's Textile Industry

Unlike other major textile-producing countries, India's textile industry is comprised mostly of small-scale, nonintegrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labor-intensive, small-scale operations and discriminated against larger scale firms:

- Composite Mills: Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, however, these types of mills now account for about only 3 percent of output in the textile sector. About 276 composite mills are now operating in India, most owned by the public sector and many deemed financially "sick."
- Spinning. Spinning is the process of converting cotton or manmade fiber into yarn to be used for weaving and knitting. Largely due to deregulation beginning in the mid-1980s, spinning is the most consolidated and technically efficient sector in India's textile industry. Average plant size remains small, however, and technology outdated, relative to other major producers. In 2002/03, India's spinning sector consisted of about 1,146 small-scale independent firms and 1,599 larger scale independent units
- Weaving and Knitting. Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics. India's weaving and knitting sector remains highly fragmented, small-scale, and labor-intensive. This sector consists of about 3.9 million handlooms, 380,000 "power loom" enterprises that operate about 1.7 million looms, and just 137,000 looms in the various composite mills. "Power looms" are small firms, with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttle less looms account for less than 1 percent of loom capacity.
- Fabric Finishing. Fabric finishing (also referred to as processing), which includes dyeing, printing, and other cloth preparation prior to the manufacture of clothing, is also dominated by a large number of independent, small scale enterprises. Overall, about 2,300 processors are operating in India, including about 2,100 independent units and 200 units that are integrated with spinning, weaving, or knitting units.
- Clothing. Apparel is produced by about 77,000 small-scale units classified as domestic manufacturers,

### 1.5. Growth of Textile Industry

India has already completed more than 50 years of its independence. The analysis of the growth pattern of different segment of the industry during the last five decades of post independence era reveals that the growth of the industry during the first two decades after the independence had been gradual, though lower and growth had been considerably slower during the third decade. The growth thereafter picked up significantly during the fourth decade in each and every segment of the industry. The peak level of its growth has however been reached during the fifth decade i.e., the last ten years and more particularly in the 90s. The Textile Policy of 1985 and Economic Policy of 1991 focusing in the direction of liberalization of economy and trade had in fact accelerated the growth in 1990s. The spinning spearheaded the growth during this period and man-made fiber industry in the organized sector and decentralized weaving sector.

### 1.6. Role of Indian Textile Industry in the Economy

Textile industry plays a significant role in the economy. The Indian textile industry is one of the largest & most important sectors in the economy in terms of output, foreign exchange earnings and employment in India. It contributes 20 per cent of industrial production, 9 per cent of excise collections, 18 per cent of employment in industrial sector, nearly 20 per cent to the country's total export earnings and 4 per cent to the GDP. The sector employs nearly 35 million people and is the second highest employer in the country.

#### 1.6.1. The Key Advantages of the Indian Industry Are:

- India is the third largest producer of cotton with the largest area under cotton cultivation in the world. It has an edge in low cost cotton sourcing compared to other countries.
- Average wage rates in India are 50-60 per cent lower than that in developed countries, thus enabling India to benefit from global outsourcing trends in labour intensive businesses such as garments and home textiles.
- Design and fashion capabilities are the key strengths that will enable Indian players to strengthen their relationships with global retailers and score over their Chinese competitors.
- Production facilities are available across the textile value chain, from spinning to garments manufacturing. The industry is investing in technology and increasing its capacities which should prove a major asset in the years to come.

#### 1.6.2. Government Initiatives

Apart from the above, a series of progressive measures have been planned to strengthen the textile sector in India:

- Technology Mission on Cotton (TMC)
- Technology Up gradation fund Scheme (TUFS)
- Setting up of Apparel Training and Design Centers (ATDCs)
- 100 per cent Foreign Direct Investment (FDI) in the textile sector under automatic route.
- Setting up two design centers in Gujarat in collaboration with National Institute of Fashion Technology.
- Setting up a Handloom Plaza in Ahmadabad with an estimated investment of US\$ 24.6 million.
- Revival plans of the mills run by National Textiles Corporation (NTC). Already, for the revival of 18 textile mills, US\$ 2.21 million worth of machineries has been ordered for the up gradation and modernization of these mills.
- Setting up a handloom mall with an investment of US\$ 24.6 million at Jehangir Mill in Ahmadabad.

### 1.7. Current Scenario

India is now a fast emerging market inching to reach half a billion middle income population by 2030. All these factors are good for the Indian textile industry in a long run. Even though the global economic crisis seems to be worsening day-by-day, as long as economies are emerging and growing as those in South and South East Asia, textile industry is here to grow provided it takes competition and innovation seriously. Read below to have an insight of the stand of the Indian Textile Industry in the economy.

## 2. Literature Review

Dr. M .Dhanabhakya and S kavitha(2012) have conducted a study on asset management of selected automobile companies in india". The reveals that the selected automobile companies in india has performed well in efficient utilization of asset and financing pattern of asset and this will help the companies to take the crucial financial decisions on the fixed and current assets . And it is one of the process of continues improvement .

M.A Dhandapani and Prof. K.Jayachandra (2013) have considered the effect of asset utilization in Cotton industry and identified the importance of optimum utilization of assets. It was found that cotton industry faced the problems of low sales and profits. Because poor productivity of labour and machinery in industry. However, the study revealed that every company in cotton industry has to improve their performance with the help of maximum utilization of fixed assets as well as current assets.

Okwo, Ifeoma Mary Ph.D, Ugwunta David Okelue, Newze, and Austin Uche Ph.D(2012), Their study on " Investment in Fixed Assets & Firm Profitability; Evidence for the Nigerian Brewery Industry." Showed that investment in fixed assets does not have any strong Statistical impact on the profitability of Nigerian Brewery Industry.

Iluta Arbidane, and Elvira Zelvavle (2012) explores that the Current Assets, their structure & Indicators in the companies of Latvia to a large extent are influence by the economic situation in Latvia. Under conditions of stable & booming economy there is observed stable development in companies.

Dr. Ashok Kumar Panigrahi In his study on Liquidity management of Indian Cement Companies – a comparative study.

Dr. T. Madhusudhan, and Dr. B. Phaniswara Raju, (2013), in their study as for as the efficiency in utilization of component of working capital is concerned, the performance of Manmade Texttile Industry is better than that of Cotton Textile Industry during. The profitability of CTI & MMTI was very poor when compared to all textile companies.

Sarba Priya Ray(2012) The study revealed there is a urgent need to improve in production both in terms of yield as well as sugar contents and recovery by adopting better harvesting practices & close co-ordinations of suger mills with formers. Therefore mill & formers work together to improve yield & extraction through better harvesting in order to become internationally competitive that is cost effective & quality producers.

Dr. M.A Dhandapani, M.P. Ganesh Babu(2013), as per their study on Financial Performance of cotton Mills- A special case in Andhra Pradesh concluded that the firm must to improve the performance by making various forms of internal reconstruction, like alteration of share capital, writing off lost assets.

Dr. Asha Sharma (2011), This research concluded that there is a pressing need for further empirical studies to be undertaken on small business financial management, in particular their working capital practices by extending the sample size so that an industry wise analysis can help to uncover the factors that explain the better performance for both automobile and pharmaceutical industries & how these best practices could be extended to the other industries.

Miss Shanthini Gnanasooriyar, as per results and analysis, selected manufacturing companies have different ranking based on each profitability indicators. Such as GPR, NPR, ROE, ROA. Based on the GPR, NPR, Rayol ceramic is at first where as ABANSE Electrical Ltd is at first based on ROA.

Jignesh. B. Togadiya, Utkarsh, and H. Trivedi (2012), their study revealed that the companies not financially sound during the study period. It means that the company's overall financial health was bad.

### 3. Objectives

1. To study the asset management practices of select textile companies in India.
2. To find out the impact of asset management practices on profitability of the firm.

### 4. Research Hypotheses

Keeping the above objectives in mind, the following null and alternative hypotheses are framed under the study.

- Hypothesis 1
  - $H_0$ : There is no impact of Total Asset Turnover ratio on Net profit Margin
  - $H_1$ : There is impact of Total Asset Turnover ratio on Net profit Margin.
- Hypothesis 2
  - $H_0$ : There is no impact of Net Asset Turnover ratio on Net profit Margin.
  - $H_1$ : There is impact of Net Asset Turnover ratio on Net profit Margin
- Hypothesis 3
  - $H_0$ : There is no impact of Fixed Asset Turnover ratio on Net profit Margin.
  - $H_1$ : There is impact of Fixed Asset Turnover ratio on Net profit Margin
- Hypothesis 4
  - $H_0$ : There is no impact of Current Asset Turnover ratio on Net profit Margin.
  - $H_1$ : There is impact of Current Asset Turnover ratio on Net profit Margin.
- Hypothesis 5
  - $H_0$ : There is no impact of Working capital Turnover ratio on Net profit Margin.
  - $H_1$ : There is impact of Working capital Turnover ratio on Net profit Margin.
- Hypothesis 6
  - $H_0$ : There is no impact of Debtors Turnover ratio on Net profit Margin.
  - $H_1$ : There is impact of Debtors Turnover ratio on Net profit Margin.
- Hypothesis 7
  - $H_0$ : There is no impact of Inventory Turnover ratio on Net profit Margin.
  - $H_1$ : There is impact of Inventory Turnover ratio on Net profit Margin.

### 5. Research Methodology

This study is fully based on secondary data. The data which is required for this study have been collected from annual reports of five textile companies in India such as Raymond textiles, Grasim textiles, Bombay dyeing and manufacturing company, Lakshmi Mills Company, JCT textiles. The study covered a period of ten years i.e., from 2004-2005 to 2013-2014. The study mainly focused on management of assets properly it means that optimum effective utilization of assets. For this study Mean, Standard deviation Assets turnover ratios, Coefficient of correlation and multiple regression analysis are used to calculate the prescribed objectives.

#### 5.1. Research Model

The following model has been used for Net profit margin:

$$NPM = \alpha + \beta_1 (TATR) + \beta_2 (NATR) + \beta_3 (FATR) + \beta_4 (CATR) + \beta_5 (WCTR) + \beta_6 (RTR) + \beta_7 (ITR) + \epsilon$$

Where NPM=Net profit margin

TATR=Total asset turnover ratio

FATR=Fixed asset turnover ratio

NATR=Net asset turnover ratio

CATR=Current asset turnover ratio

WCTR =Working capital turnover ratio

RTR=Receivables turnover ratio

ITR=Inventory turnover ratio

- **STUDY VARIABLES:** The following assets turn over ratios are calculated in this study.

### 5.2. Total Assets Turnover Ratio

Overall performance and efficiency of the firm are measured by this ratio. The norm that is usually adopted for this ratio is 2:1. A high ratio is an indicator of over – trading of total assets while a low ratio reveals idle capacity. The formula of this ratio is:

$$\text{Total assets turnover ratio} = \frac{\text{Sales}}{\text{Total assets}}$$

### 5.3. Net Assets Turnover Ratio

Net asset turnover ratio measures the ability of management to use the assets of the business to generate sales revenue. Net asset turnover ratio is calculated by sales revenue divided by capital employed. The formula of this ratio is:

$$\text{Net assets turnover ratio} = \frac{\text{Sales}}{\text{Net assets}}$$

### 5.4. Fixed Assets Turnover Ratio

This ratio expresses the number of times fixed assets are being turned-over in a state period. It is calculated as under.

$$\text{Fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Total Fixed assets}}$$

### 5.5. Current Assets Turnover Ratio

A company's current assets are those items that last less than 12 months in the business. The most common current assets include cash, cash equivalents, inventory, and other general current assets listed on a balance sheet. Current Assets Turnover Ratio indicates that the current assets are turned over in the form of sales more number of times.

$$\text{Fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Total Current assets}}$$

### 5.6. Working Capital Turnover Ratio

The term Net Working Capital refers to the difference between current assets and current liabilities. A positive net working capital will arise when current assets are more than current liabilities. A negative net working capital occurs when current liabilities are more than current asset. This ratio calculated as under.

$$\text{Working capital turnover ratio} = \frac{\text{Net Sales}}{\text{Net working capital}}$$

### 5.7. Debtors Turnover Ratio

Sometimes data relating to credit sales, opening balance and closing balance of debtors may not be available than debtor's turnover can be calculated by dividing total sales by closing balance.

$$\text{Debtors turnover ratio} = \frac{\text{Net Sales}}{\text{Average Debtors}}$$

### 5.8. Inventory Turnover Ratio

This ratio also known as Stock Turnover Ratio, establishes relationship between cost of goods sold during a given period and the average amount of inventory held during that period.

$$\text{Inventory turnover ratio} = \frac{\text{Sales}}{\text{Average inventory}}$$

### 5.9. Net Profit Margin

This ratio establishes the relationship of net profit and sales and it indicates management efficiency in manufacturing, administering and selling the products. Net profit margin is the overall measures the firm's ability to earn each rupee sales into net profit.

$$\text{Net profit margin} = \frac{\text{Net income}}{\text{Net sales}}$$

### 5.10. Statistical Tools

**Mean** In statistics an average is define as the number that measures the central tendency of a given set of number

$$\text{Mean} = \frac{\sum XY}{\sum N}$$

**Standard Deviation**

Standard deviation is a statistical measure of spread or variability. Standard deviation is a root mean square deviation of the values from their arithmetic mean.

$$\text{Standard deviation} = \sqrt{\frac{\sum (X-\bar{X})^2}{N}}$$

**Coefficient of correlation**

This measure developed by karlpearson is the most commonly used measures of relative variation it is used in such problems where we want to compare the variability of two or more than two series.

$$\text{Coefficient of correlation} = \frac{\text{Standard deviation}}{\text{average}} \times 100$$

### 5.11. Analysis and Implications

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	0.93	0.47	1.05	1.45	1.16	1.01	0.36
2012-13	1.00	0.47	0.88	5.31	0.91	1.71	2.02
2011-12	0.89	0.51	0.86	2.78	0.78	1.16	0.92
2010-11	0.65	0.53	1.21	1.39	1.49	1.05	0.44
2009-10	0.56	1.01	0.84	1.11	1.16	0.94	0.25
2008-09	0.56	0.85	0.71	0.91	0.96	0.80	0.16
2007-08	0.58	0.90	0.51	0.78	0.88	0.73	0.18
2006-07	0.61	0.94	0.34	0.89	1.83	0.92	0.56
2005-06	0.68	0.96	1.08	1.26	2.93	1.38	0.89
2004-05	0.70	0.99	1.48	1.58	2.72	1.49	0.78
MEAN	0.72	0.76	0.90	1.75	1.48	1.12	0.47

Table 1: Analysis of TATR in select textile companies

The results from the Table 1 shows that the analysis of total asset turnover ratio of select textile companies. As this ratio shows the firm's ability in generating sales from all financial resources committed to total assets. Among five textile companies JCT textiles has satisfactory total asset turnover ratio as it generates a sale of Rs.1.44, Rs.5.31, Rs.2.78, Rs.1.39, Rs.1.11, Rs.0.96, Rs.0.77, Rs.0.89, Rs.1.26, Rs.1.58, Rs.1.74 for one rupee investment in fixed and current assets together during study period. The average total asset turnover ratio of JCT textiles was higher than the industry average an indication that JCT textiles was better of remaining firms in terms of generating sales. And LAKSHMI Mills has somewhat better ability in generating sales for one rupee investment. However, the average total assets turnover ratio of Raymond's, Grasim's, and Bombay dyeing was below one rupee. This implies that these three firms do not have satisfactory TATR. Also, the inability to generate sales for one rupee investment in total assets could affect the business's operations and may affect its profitability.

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	1.33	0.56	2.05	-8.65	1.61	-0.62	4.52
2012-13	1.93	0.55	1.53	-5.73	1.25	-0.09	3.19
2011-12	1.61	0.59	1.38	-4.89	0.97	-0.07	2.72
2010-11	0.86	0.63	1.54	2.70	2.13	1.57	0.86
2009-10	0.69	1.27	1.00	2.04	1.59	1.32	0.52
2008-09	0.71	1.25	0.88	1.34	1.37	1.11	0.30
2007-08	0.72	1.36	0.62	1.07	1.18	0.99	0.31
2006-07	0.77	1.36	0.44	1.30	3.78	1.53	1.32
2005-06	0.86	1.51	1.25	2.02	21.08	5.34	8.81
2004-05	0.86	1.58	1.85	2.70	8.66	3.13	3.16
MEAN	1.03	1.07	1.25	-0.61	4.36	1.42	1.81

Table 2: Analysis of NATR in select textile companies

The analysis of the Table 2 indicates that the industry average of net assets turnover ratio is 1.4199 with the values deviating from mean by 1.808. The average net asset turnover ratio of select textile companies were below the industry average except for Lakshmi Mills Company. As the net assets turnover ratio shows the firm's ability to produce a large volume of sales for a given amount of net assets. From the analysis it indicates that except Lakshmi Mills remaining textile companies were under utilizing assets, it results the increase of firm's need for costly financing as well as expenses for maintenance and keep up.

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	1.74	0.62	1.67	4.05	9.08	3.43	3.40
2012-13	1.85	0.59	2.11	24.94	6.31	7.16	10.17
2011-12	1.50	0.66	2.52	7.82	2.79	3.06	2.79
2010-11	0.95	0.65	5.53	2.57	-6.02	0.74	4.24
2009-10	0.74	1.18	1.40	1.63	-6.99	-0.41	3.69
2008-09	0.77	1.12	1.24	1.23	1.32	1.14	0.22
2007-08	0.80	1.23	0.66	1.06	1.22	0.99	0.25
2006-07	0.83	1.28	0.50	1.27	3.69	1.51	1.26
2005-06	0.98	1.36	1.90	2.09	13.35	3.93	5.28
2004-05	1.02	1.41	2.46	2.80	7.09	2.96	2.43
MEAN	1.12	1.01	2.00	4.95	3.18	2.45	1.64

Table 3: Analysis of FATR in select textile companies

From the above table analysis the average fixed assets turnover ratio of JCT textiles was higher i.e is 4.945 than remaining companies, secondly Lakshmi mills shows average of 3.84. And Raymond textiles, Grasim textiles, Bombay dyeing shows average fixed asset turnover ratios 1.118, 1.008, 1.999 respectively. As a higher fixed-asset turnover ratio shows the company's more effectiveness in using the investment in fixed assets to generate revenues, the JCT textiles has the ability of utilizing assets effectively when comparing with remaining textile companies under the study period.

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	1.51	1.92	0.99	1.76	1.12	1.46	0.40
2012-13	1.56	2.26	0.87	5.19	0.88	2.15	1.79
2011-12	1.47	2.28	0.89	3.41	0.92	1.79	1.06
2010-11	1.24	3.10	1.24	2.54	0.96	1.82	0.94
2009-10	1.34	7.00	1.52	2.64	0.80	2.66	2.52
2008-09	1.33	3.45	1.15	2.50	1.74	2.04	0.95
2007-08	1.39	3.40	1.21	2.21	1.49	1.94	0.90
2006-07	1.54	3.60	0.73	2.36	2.62	2.17	1.09
2005-06	1.69	3.20	1.77	2.59	2.94	2.44	0.68
2004-05	1.70	3.25	2.55	1.85	2.98	2.47	0.68
MEAN	1.48	3.35	1.29	2.70	1.65	2.09	0.89

Table 4: Analysis of CATR in select textile companies

The above analysis shows that Grasim textiles shown higher average current asset turnover ratio during the study period. On the whole the industry average current asset turnover ratio was 2.093438 with the values deviating from the mean by 0.889076. And JCT textiles, Raymond textiles, Bombay dyeing were shown the ratio as 2.7042, 1.479, and 1.291. As a high current assets turnover ratio indicates the capability of the organization to achieve maximum sales with the minimum investment in current assets, Grasim textiles has the capability of maximum sales with minimum investment in current assets it results increase of profits also. Remaining textile companies under the study need to maximize the utilization of current assets optimally.

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	2.96	5.60	1.82	-4.21	1.54	1.54	3.59
2012-13	6.49	9.19	1.50	-5.87	1.20	2.50	5.78
2011-12	5.56	5.68	1.47	-3.69	1.19	2.04	3.86
2010-11	2.41	26.53	1.59	15.91	1.19	9.53	11.33
2009-10	2.45	282.51	2.17	-93.66	0.97	38.89	142.33
2008-09	2.58	-250.13	1.64	14.02	3.73	-45.63	114.42
2007-08	2.54	48.32	2.06	6.69	2.63	12.45	20.14
2006-07	3.27	26.67	1.39	9.31	10.05	10.14	9.97
2005-06	3.55	36.56	2.26	7.98	20.89	14.25	14.49
2004-05	3.18	39.03	3.90	3.28	11.12	12.10	15.42
MEAN	3.50	23.00	1.98	-5.02	5.45	5.78	10.40

Table 5: Analysis of WCTR in select textile companies

The reciprocal of the average ratio of Grasim textiles is 0.04348. Thus it is indicated that for one rupee of sales, the company needs Rs.0.04348 of net current assets. The industry average working capital turnover ratio reciprocal is 0.17299 and it is deviated from mean by 0.096 (10.4029). As a high turnover ratio indicates that management is being extremely efficient in using a firm's short-term assets and liabilities to support sales, Grasim textile utilizing assets efficiently when comparing remaining companies under the study. Raymond textiles need to invest Rs.0.28576, and Bombay dyeing needs to invest Rs. 0.5051 for one rupee of sales. And JCT textiles show negative reciprocal.

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	4.55	9.13	13.57	7.02	9.06	8.67	3.32
2012-13	4.88	10.17	10.74	22.43	7.18	11.08	6.77
2011-12	4.80	9.76	16.21	16.57	11.34	11.74	4.89
2010-11	4.69	10.18	9.93	12.65	12.67	10.02	3.26
2009-10	4.58	25.84	2.69	17.63	12.94	12.74	9.53
2008-09	4.64	21.66	3.42	15.22	8.76	10.74	7.65
2007-08	4.66	16.28	3.65	13.32	10.26	9.64	5.45
2006-07	4.90	16.73	2.00	17.13	22.01	12.56	8.63
2005-06	5.45	18.46	7.06	14.68	25.20	14.17	8.17
2004-05	5.20	13.81	15.75	13.12	21.39	13.86	5.83
MEAN	4.84	15.20	8.50	14.98	14.08	11.52	4.63

Table 6: Analysis of RTR in select textile companies

From the above table no 6 it is observed that Grasim textiles (15.20344), Jct textiles (14.98039) and Lakshmi Mills (14.08088) have high receivables turnover ratio comparing with Raymond textiles(4.836444) and Bombay dyeing textiles(8.503107). The industry overall average receivables turnover ratio is 11.52085 and it is deviated from mean by 4.633349. A high receivables turnover ratio indicates speed collection of debtors; it results maintaining cash sufficiently for short term needs. So Grasim, Jct and Lakshmi mills were maintained debt collection properly but not the Raymond and Bombay dyeing textiles.

Year	RAYMOND	GRASIM	BOMBAYDYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	3.96	4.62	3.70	3.47	1.60	3.47	1.13
2012-13	4.04	6.66	1.81	10.74	1.28	4.91	3.89
2011-12	4.21	7.88	1.44	6.18	1.28	4.20	2.90
2010-11	3.64	11.00	1.96	4.64	1.33	4.51	3.86
2009-10	4.78	21.37	11.84	4.69	1.10	8.76	8.05
2008-09	4.15	8.80	3.65	4.82	6.37	5.56	2.08
2007-08	4.10	11.84	6.78	4.16	4.89	6.35	3.25
2006-07	4.64	11.71	2.93	3.93	5.43	5.73	3.47
2005-06	4.25	10.17	5.28	4.69	6.46	6.17	2.38
2004-05	4.09	10.63	5.74	5.99	6.20	6.53	2.44
MEAN	4.19	10.47	4.51	5.33	3.59	5.62	2.78

Table 7: Analysis of ITR in select textile companies



The results of the analysis as shown in Table 7 indicate that the average of the ITR is 5.618797 with the values deviating from mean by 2.781888. The average ITR of select textile companies were 4.19, 10.46728, 4.512472, 5.330045 and 3.59419. Generally high inventory turnover ratio indicates good inventory management and strong sales, on the basis of this concept, Grasim textiles shows high inventory turnover ratio when comparing with remaining companies. So that it can rapidly turning its inventory into receivables through sales.

Year	RAYMOND	GRASIM	BOMBAY DYEING	JCT	LAKSHMI MILLS	MEAN	STDEV
2013-14	4.03	15.99	0.92	0.71	4.31	5.19	6.27
2012-13	-2.35	23.33	3.25	-6.92	6.74	4.81	11.60
2011-12	2.99	23.68	2.66	-8.57	-8.82	2.39	13.22
2010-11	-6.98	25.47	1.06	7.39	3.04	5.99	12.07
2009-10	1.94	23.47	1.08	-10.28	1.05	3.45	12.28
2008-09	-19.12	13.59	-14.02	-10.62	-1.75	-6.38	12.83
2007-08	4.89	17.67	1.74	0.70	-4.82	4.03	8.39
2006-07	15.29	15.92	7.14	1.92	3.82	8.82	6.48
2005-06	9.03	11.31	5.48	1.93	4.12	6.37	3.78
2004-05	7.07	12.28	2.32	0.32	2.75	4.95	4.78
MEAN	1.68	18.27	1.16	-2.34	1.05	3.96	8.16

Table 8: Analysis of NPM in select textile companies

The results of the analysis show that the Net profit margin of Grasim textiles was high as its average of 18.27038 was higher than the overall industry average of 3.962654. The Net profit margin of Raymond textiles, Bombay dyeing textiles, JCT textiles, Lakshmi mills were below the industry average an indication that only Grasim textiles was better among remaining companies in terms of ability to turn each rupee sales into net profit. If the net profit margin is inadequate, firm will fail to achieve satisfactory returns on shareholder's funds. From the analysis, it indicates that JCT textiles have negative net profit it means no profits for the company.

		Correlations							
		NPM	TATR	NATR	FATR	CATR	WCTR	RTR	ITR
NPM	Pearson Correlation	1	.078	-.021	.028	.621	.085	.447	.412
	Sig. (2-tailed)		.830	.954	.938	.055	.816	.195	.236
	N	10	10	10	10	10	10	10	10
TATR	Pearson Correlation	.078	1	.957**	.994**	.385	.787**	.029	-.362
	Sig. (2-tailed)	.830		.000	.000	.272	.007	.938	.304
	N	10	10	10	10	10	10	10	10
NATR	Pearson Correlation	-.021	.957**	1	.947**	.270	.903**	-.016	-.292
	Sig. (2-tailed)	.954	.000		.000	.451	.000	.965	.414
	N	10	10	10	10	10	10	10	10
FATR	Pearson Correlation	.028	.994**	.947**	1	.324	.746*	-.055	-.378
	Sig. (2-tailed)	.938	.000	.000		.361	.013	.879	.281
	N	10	10	10	10	10	10	10	10
CATR	Pearson Correlation	.621	.385	.270	.324	1	.404	.807**	.124
	Sig. (2-tailed)	.055	.272	.451	.361		.247	.005	.732
	N	10	10	10	10	10	10	10	10
WCTR	Pearson Correlation	.085	.787**	.903**	.746*	.404	1	.244	-.062
	Sig. (2-tailed)	.816	.007	.000	.013	.247		.496	.865
	N	10	10	10	10	10	10	10	10
RTR	Pearson Correlation	.447	.029	-.016	-.055	.807**	.244	1	.045
	Sig. (2-tailed)	.195	.938	.965	.879	.005	.496		.903
	N	10	10	10	10	10	10	10	10
ITR	Pearson Correlation	.412	-.362	-.292	-.378	.124	-.062	.045	1
	Sig. (2-tailed)	.236	.304	.414	.281	.732	.865	.903	
	N	10	10	10	10	10	10	10	10

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Table 9: Correlation between NPM and ASSET MANAGEMENT RATIO

From the above table it is observed that except CATR and NATR other variables like TATR, FATR, WCTR, RTR, and ITR have weak positive correlation with net profit margin at 0.01 level of significance. CATR has strong positive correlation with net profit margin and NATR has weak negative correlation with NPM.

Correlations									
		NPM	TATR	NATR	FATR	CATR	WCTR	RTR	ITR
NPM	Pearson Correlation	1	-.550	-.689*	-.686*	.143	.385	-.263	.215
	Sig. (2-tailed)		.099	.028	.028	.693	.272	.462	.551
	N	10	10	10	10	10	10	10	10
TATR	Pearson Correlation	-.550	1	.974**	.976**	.663*	.240	.810**	.665*
	Sig. (2-tailed)	.099		.000	.000	.037	.505	.005	.036
	N	10	10	10	10	10	10	10	10
NATR	Pearson Correlation	-.689*	.974**	1	.998**	.486	.095	.704*	.495
	Sig. (2-tailed)	.028	.000		.000	.154	.794	.023	.146
	N	10	10	10	10	10	10	10	10
FATR	Pearson Correlation	-.686*	.976**	.998**	1	.487	.126	.692*	.499
	Sig. (2-tailed)	.028	.000	.000		.154	.730	.026	.142
	N	10	10	10	10	10	10	10	10
CATR	Pearson Correlation	.143	.663*	.486	.487	1	.608	.848**	.971**
	Sig. (2-tailed)	.693	.037	.154	.154		.062	.002	.000
	N	10	10	10	10	10	10	10	10
WCTR	Pearson Correlation	.385	.240	.095	.126	.608	1	.202	.691*
	Sig. (2-tailed)	.272	.505	.794	.730	.062		.575	.027
	N	10	10	10	10	10	10	10	10
RTR	Pearson Correlation	-.263	.810**	.704*	.692*	.848**	.202	1	.760*
	Sig. (2-tailed)	.462	.005	.023	.026	.002	.575		.011
	N	10	10	10	10	10	10	10	10
ITR	Pearson Correlation	.215	.665*	.495	.499	.971**	.691*	.760*	1
	Sig. (2-tailed)	.551	.036	.146	.142	.000	.027	.011	
	N	10	10	10	10	10	10	10	10

\*. Correlation is significant at the 0.05 level (2-tailed).  
 \*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 10

From the above table it is observed that there was strong negative correlation between TATR, NATR, FATR, and NPM at 0.05 level of significance. And there was a weak negative correlation of RTR with NPM. And even there was weak positive correlation between CATR, WCTR, ITR and NPM.

		NPM	TATR	NATR	FATR	CATR	WCTR	RTR	ITR
NPM	Pearson Correlation	1	.032	.063	.037	.029	.089	.188	-.004
	Sig. (2-tailed)		.931	.863	.920	.936	.806	.604	.990
	N	10	10	10	10	10	10	10	10
TATR	Pearson Correlation	.032	1	.856**	.662*	.703*	.632*	.706*	-.019
	Sig. (2-tailed)	.931		.002	.037	.023	.050	.023	.959
	N	10	10	10	10	10	10	10	10
NATR	Pearson Correlation	.063	.856**	1	.547	.325	.350	.859**	-.237
	Sig. (2-tailed)	.863	.002		.102	.359	.322	.001	.509
	N	10	10	10	10	10	10	10	10
FATR	Pearson Correlation	.037	.662*	.547	1	.161	.015	.495	-.366
	Sig. (2-tailed)	.920	.037	.102		.656	.968	.146	.298
	N	10	10	10	10	10	10	10	10
CATR	Pearson Correlation	.029	.703*	.325	.161	1	.953**	.231	.471
	Sig. (2-tailed)	.936	.023	.359	.656		.000	.521	.170
	N	10	10	10	10	10	10	10	10
WCTR	Pearson Correlation	.089	.632*	.350	.015	.953**	1	.305	.450
	Sig. (2-tailed)	.806	.050	.322	.968	.000		.392	.192
	N	10	10	10	10	10	10	10	10
RTR	Pearson Correlation	.188	.706*	.859**	.495	.231	.305	1	-.443
	Sig. (2-tailed)	.604	.023	.001	.146	.521	.392		.199
	N	10	10	10	10	10	10	10	10
ITR	Pearson Correlation	-.004	-.019	-.237	-.366	.471	.450	-.443	1
	Sig. (2-tailed)	.990	.959	.509	.298	.170	.192	.199	
	N	10	10	10	10	10	10	10	10

\*. Correlation is significant at the 0.05 level (2-tailed).  
 \*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 11: Correlations

From the above table it is observed that there was weak positive correlation between TATR, NATR, FATR, CATR, WCTR, RTR and NPM. And there was strong negative correlation between ITR and NPM.

		NPM	TATR	NATR	FATR	CATR	WCTR	RTR	ITR
NPM	Pearson Correlation	1	-.315	.232	-.303	-.432	.514	-.517	-.376
	Sig. (2-tailed)		.375	.519	.395	.212	.128	.126	.284
	N	10	10	10	10	10	10	10	10
TATR	Pearson Correlation	-.315	1	-.580	.986**	.911**	-.001	.600	.947**
	Sig. (2-tailed)	.375		.079	.000	.000	.998	.067	.000
	N	10	10	10	10	10	10	10	10
NATR	Pearson Correlation	.232	-.580	1	-.584	-.376	-.023	.088	-.329
	Sig. (2-tailed)	.519	.079		.076	.284	.950	.809	.353
	N	10	10	10	10	10	10	10	10
FATR	Pearson Correlation	-.303	.986**	-.584	1	.915**	.003	.606	.938**
	Sig. (2-tailed)	.395	.000	.076		.000	.994	.063	.000
	N	10	10	10	10	10	10	10	10
CATR	Pearson Correlation	-.432	.911**	-.376	.915**	1	-.080	.816**	.904**
	Sig. (2-tailed)	.212	.000	.284	.000		.825	.004	.000
	N	10	10	10	10	10	10	10	10
WCTR	Pearson Correlation	.514	-.001	-.023	.003	-.080	1	-.257	-.016
	Sig. (2-tailed)	.128	.998	.950	.994	.825		.473	.966
	N	10	10	10	10	10	10	10	10
RTR	Pearson Correlation	-.517	.600	.088	.606	.816**	-.257	1	.723*
	Sig. (2-tailed)	.126	.067	.809	.063	.004	.473		.018
	N	10	10	10	10	10	10	10	10
ITR	Pearson Correlation	-.376	.947**	-.329	.938**	.904**	-.016	.723*	1
	Sig. (2-tailed)	.284	.000	.353	.000	.000	.966	.018	
	N	10	10	10	10	10	10	10	10

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
 \* . Correlation is significant at the 0.05 level (2-tailed).

Table 12 : Correlations

From the above table it is observed that there was weak negative correlation between TATR, FATR, CATR, RTR, ITR and NPM. And also there was positive correlation between NATR, WCTR and NPM.

		NPM	TATR	NATR	FATR	CATR	WCTR	RTR	ITR
NPM	Pearson Correlation	1	.453	.318	.318	.246	.308	.271	.015
	Sig. (2-tailed)		.188	.371	.371	.494	.386	.450	.967
	N	10	10	10	10	10	10	10	10
TATR	Pearson Correlation	.453	1	.879**	.879**	.858**	.904**	.916**	.595
	Sig. (2-tailed)	.188		.001	.001	.002	.000	.000	.070
	N	10	10	10	10	10	10	10	10
NATR	Pearson Correlation	.318	.879**	1	1.000**	.740*	.944**	.804**	.562
	Sig. (2-tailed)	.371	.001		.000	.014	.000	.005	.091
	N	10	10	10	10	10	10	10	10
FATR	Pearson Correlation	.318	.879**	1.000**	1	.740*	.944**	.804**	.562
	Sig. (2-tailed)	.371	.001	.000		.014	.000	.005	.091
	N	10	10	10	10	10	10	10	10
CATR	Pearson Correlation	.246	.858**	.740*	.740*	1	.903**	.863**	.886**
	Sig. (2-tailed)	.494	.002	.014	.014		.000	.001	.001
	N	10	10	10	10	10	10	10	10
WCTR	Pearson Correlation	.308	.904**	.944**	.944**	.903**	1	.900**	.739*
	Sig. (2-tailed)	.386	.000	.000	.000	.000		.000	.015
	N	10	10	10	10	10	10	10	10
RTR	Pearson Correlation	.271	.916**	.804**	.804**	.863**	.900**	1	.599
	Sig. (2-tailed)	.450	.000	.005	.005	.001	.000		.067
	N	10	10	10	10	10	10	10	10
ITR	Pearson Correlation	.015	.595	.562	.562	.886**	.739*	.599	1
	Sig. (2-tailed)	.967	.070	.091	.091	.001	.015	.067	
	N	10	10	10	10	10	10	10	10

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
 \* . Correlation is significant at the 0.05 level (2-tailed).

From the above table it is observed that there was weak positive correlation between independent variables like TATR, NATR, FATR, CATR, WCTR, RTR, ITR and dependent variable NPM.

Table 13: Correlations

## 5.12. Multiple Regression Analysis of Variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.620 <sup>a</sup>	.384	.281	8.186180300
a. Predictors: (Constant), ITR, NATR, TATR, WCTR, RTR, FATR,				
b. CATR				

Table 14: Model Summary

The multiple correlation coefficients between the dependent variable NPM and independent variables TATR, NATR, FATR, CATR, WCTR, RTR and ITR taken together was 0.620. It indicates that the profitability was positively influenced by its independent variables. It is also evident from the value of the R square that 38.4 percent of variation in NPM was accounted by the joint variation in all the independent variables. We find Adjusted R<sup>2</sup> of in this model is 0.281, it tells that 28.1% the independent variables influence the dependent variable net profit margin and remaining 71.9% influenced by some other factors.

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	1754.507	7	250.644	3.740	.003 <sup>b</sup>
	Residual	2814.569	42	67.014		
	Total	4569.076	49			
a. Dependent Variable: NPM						
b. Predictors: (Constant), ITR, NATR, TATR, WCTR, RTR, FATR, CATR						

Table 15: ANOVA

Table no 16 is the F –test, the linear regression’s F-test has the null hypothesis that there is no linear relation relationship between variables. The F- test is highly significant, thus we can assume there is a linear relationship between the variables in this model. Since p value 0.003<0.05 we shall reject the null hypothesis.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.645	3.596		.457	.650
	TATR	-8.988	4.774	-.762	-1.883	.067
	NATR	.037	.468	.014	.080	.937
	FATR	.679	.818	.317	.830	.411
	CATR	1.537	3.386	.188	.454	.652
	WCTR	.003	.024	.016	.116	.908
	RTR	.210	.399	.137	.527	.601
	ITR	.866	.787	.332	1.101	.277
a. Dependent Variable: NPM						

Table 16: Coefficients

Multiple regression analysis has been tabulated in table 17. Table 17 proves the potency of relationship between the dependent variable NPM and independent variables TATR, NATR, FATR, CATR, WCTR, RTR and ITR taken and the impact of these independent variables on the net profit margin. It was observed that increase in TATR in one unit, the NPM decreased by 8.988 units that was statistically significant at 0.003. For one unit increase in NATR the profitability of the company increased by 0.037 units which was statistically significant at 0.003. However, when FATR increased by one unit, the NPM of the company increased by 0.679 units. For one unit increase in CATR, the profitability of the company increased by 1.537. It was observed that increase in WCTR by one unit, the NPM increased by 0.003 units. Again two important indicators of efficiency, RTR, ITR increased by one unit, NPM increased by 0.210 units and 0.866 units respectively which significant at 0.003 level.

## 6. Conclusion

The study analyzes that the effect of asset management practices on profitability in terms of TATR, NATR, FATR, CATR, WCTR, RTR and ITR with NPM. From the analysis, it has been concluded that the average profitability of GRASIM TEXTILES was high i.e. 18027 during the study period when comparing with remaining companies. On the whole the study reveals that there was only 28.1 percent, asset management practices influencing profitability of the firm and remaining 72.9 percent some other variables are influencing the profitability. And there is a positive relationship between asset management ratios and profitability. Though there a

positive relationship between asset management ratio and profitability the results are not statistically significant. Therefore, the result did not suggest any significant strong positive impact of asset management practices on profitability in textile companies in India.

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