

A Study on Financial Performance Analysis of Selected Listed Companies of Denim Industry in India

Vijaya G O, Ramesh O Olekar

Vijayanagara Sri Krishnadevaraya University Ballari, India

DOI: <https://doi.org/10.51244/IJRSI.2025.120700072>

Received: 09 July 2025; Accepted: 12 July 2025; Published: 02 August 2025

ABSTRACT

The present study systematically evaluates the financial performance of selected publicly listed denim companies in India, with a specific focus on Arvind Mills Ltd., Nandan Denim, KG Denim, and Aarvee Denim & Exports. Positioned as a crucial segment of the Indian textile and apparel industry, the denim sector faces evolving market dynamics requiring continuous financial and operational optimization. This research employs a quantitative methodology grounded in secondary data sources, including audited financial reports and corporate disclosures, spanning a five-year period (2020–2024). Key financial parameters Return on Capital Employed (ROCE), Net Profit Margin, Current Ratio, Debt-to-Equity Ratio, and Fixed Assets Turnover Ratio were analyzed to assess profitability, liquidity, solvency, and managerial efficiency. Statistical analysis using one-way ANOVA confirmed significant disparities in financial performance across the sampled firms. Findings reveal that Arvind Mills Ltd. consistently demonstrated financial robustness, while Nandan Denim maintained moderate stability. In contrast, KG Denim and Aarvee Denim & Exports exhibited financial distress marked by negative profitability and high leverage. The study underscores the strategic importance of effective capital structure management, financial planning, and operational efficiency in enhancing competitiveness within the denim industry. This research provides actionable insights for industry stakeholders, investors, and policymakers seeking to drive sustainable growth and financial resilience in India's denim sector.

Keywords: Liquidity, Profitability, solvency, Return on Capital Employed, One-way ANOVA denim companies.

INTRODUCTION

The financial performance of companies plays a crucial role in determining their long-term sustainability and growth. Analyzing the financial health of organizations, especially within specific industries, provides important insights into their operational efficiency, profitability, and market position. Against this backdrop, this study focuses on the financial performance analysis of selected publicly listed companies in the denim industry, which is a significant segment of the global textile and apparel market. Denim, due to its widespread consumer demand, has developed into a highly sought-after product that involves complex production processes and substantial financial investment.

The denim industry, with its deep-rooted history and ongoing evolution in fashion trends, manufacturing techniques, and global supply chains, remains an important player in the international textile sector. Publicly listed companies in this industry face increased scrutiny because of their obligations to maintain transparency, comply with regulations, and provide detailed financial disclosures. This study evaluates key financial indicators such as profitability, liquidity, solvency, and efficiency ratios, which are critical for assessing the financial stability and operational performance of these firms. By examining a selected group of publicly traded denim companies, the research offers a comparative perspective highlighting both strengths and weaknesses within the industry, thereby aiding investors, policymakers, and other stakeholders in making well-informed decisions.

The analysis utilizes financial statements, annual reports, and other publicly accessible data from the selected companies, ensuring an objective and comprehensive evaluation of their performance. Moreover, the study considers broader economic and market factors influencing the denim sector. Ultimately, the findings contribute to a deeper understanding of the financial strategies adopted by leading denim manufacturers, providing a detailed overview of their competitive positioning within a rapidly evolving market environment.

REVIEW OF LITERATURE

Thabasvini and Nandhini (2023) conducted an empirical study to assess the financial performance of listed textile firms by analyzing key ratios like profitability, liquidity, and operational efficiency. The study aimed to evaluate firms' financial health and adaptability to changing market conditions using a quantitative research approach based on secondary financial data. Findings revealed significant variations in financial outcomes among companies due to differing financial strategies. The authors concluded that effective financial planning and strategic adaptability were crucial for sustaining growth and competitiveness. However, the study did not examine the role of technological adoption and sustainability practices, highlighting a research gap for future studies. This gap indicates the need for integrated analysis combining financial, technological, and sustainable factors for a holistic assessment.

Rajni and Dharni (2018) undertook a comparative analysis to evaluate the financial performance of leading Indian textile companies, focusing on profitability, operational efficiency, and financial stability. The primary aim of their study was to assess the extent to which strategic financial management influenced the competitive position of firms within the industry. Using both descriptive and quantitative research methods, the authors analyzed key financial ratios derived from secondary data sources. Their findings indicated significant variations in financial performance among the selected firms, emphasizing that companies with strong financial planning and well-aligned strategic objectives were better equipped to achieve sustainability and maintain competitiveness. However, the study did not consider external market factors such as technological advancements and sustainability practices, presenting a research gap that future studies could address by integrating non-financial dimensions into financial performance assessment models.

Gupta (2017) executed an empirical analysis to assess the operational and financial efficiency of Indian textile firms, concentrating on key indicators such as profitability, liquidity, and financial structure. The primary objective of the study was to evaluate how financial management and strategic market positioning influenced firm stability and growth. Relying on secondary data extracted from financial statements and annual reports, the study revealed substantial differences in financial stability and operational performance across the analyzed companies. It was concluded that firms demonstrating stronger financial oversight and strategic alignment with market trends were better positioned for sustained growth. However, the study did not examine the role of technological integration or sustainability initiatives in enhancing financial outcomes, indicating a critical research gap that future studies should address by incorporating these emerging factors into performance evaluation frameworks.

Raichurkar and Manickam (2015) explored the transformative trends within the Indian textile industry, emphasizing innovations, sustainability initiatives, and market restructuring. Their mixed-methods research, based on secondary data from industry reports and surveys, revealed that automation, digital supply chain integration, and eco-friendly production methods were critical for enhancing global competitiveness. The authors argued that adopting these advancements was essential for firms aiming to sustain their market position. However, the study did not examine the financial implications of such technological and sustainable shifts, indicating a research gap. Future research could integrate financial performance analysis with technology and sustainability adoption to provide a more comprehensive understanding of firm competitiveness in the sector.

Indhumathi and Palanivelu (2013) investigated the financial condition of selected Indian textile firms by focusing on critical financial ratios including profitability, liquidity, and solvency. The study aimed to assess how different financial management practices affected firms' stability and competitive positioning. Utilizing a quantitative approach with secondary data from corporate financial statements, the analysis revealed marked variations in financial performance across the companies. The authors concluded that effective financial

planning, prudent allocation of resources, and strategic foresight were pivotal in sustaining financial stability and improving market competitiveness. Nevertheless, the study did not consider the impact of technological innovations or sustainable business practices, highlighting a research gap that warrants future inquiry incorporating these dimensions for a more comprehensive evaluation.

Research Gap

A review of the existing literature reveals that numerous studies have addressed key financial aspects such as profitability, liquidity, and operational efficiency within the textile industry. However, these studies did not integrate the impact of technological advancements, digital transformation, and sustainability practices into financial performance assessment. This indicates a significant research gap concerning the absence of a comprehensive analytical framework that simultaneously considers financial efficiency, technological adoption, and sustainable practices as combined drivers of competitiveness and growth in the Indian textile sector. Future research must address this multidimensional gap to provide a more holistic understanding of industry performance.

Research Problem

This study evaluates the financial performance of selected publicly listed companies within the denim industry. While the denim sector plays a vital role in the global apparel market, there is limited empirical research that specifically examines the financial stability, profitability, and operational efficiency of denim companies in India. To fill this gap, the study analyzes key financial indicators such as profitability, liquidity, solvency, and efficiency ratios. The main focus is to understand how financial management practices and evolving market conditions affect the long-term sustainability and competitive position of denim firms in a constantly changing business environment.

Objectives of the study

To analysis the financial performance of selected listed companies of denim industry in india last five years.

To make a comparative analysis of liquidity, solvency, profitability and managerial efficiency position of key denim players in India.

Significance of the study

This study holds importance due to its potential to offer meaningful insights into the financial condition and strategic outlook of publicly traded companies in the denim sector. Through the evaluation of essential financial indicators such as profitability, liquidity, and operational performance it provides a clearer perspective on the elements that contribute to success and sustainability in this highly competitive industry. The outcomes of this research are expected to support informed decision-making by investors, industry professionals, and policymakers. In doing so, it aims to promote better financial management, strengthen market competitiveness, and support the long-term development of the denim industry. Additionally, the study addresses a notable gap in current literature related to the financial evaluation of denim-focused firms.

Research Methodology

This study adopts a quantitative research methodology based on secondary data sourced from peer-reviewed journals, audited annual reports, financial statements, and reputable digital platforms specific to the denim industry. Financial performance was evaluated using key ratios related to profitability, liquidity, solvency, and managerial efficiency. Statistical validation of inter-firm performance differences was achieved through the application of one-way ANOVA. However, the methodology revealed a research gap, as it lacked integration of technological innovation and sustainability metrics within the financial performance framework. Furthermore, the research methodology would benefit from a clearer specification of the sample selection process, including the criteria for choosing the denim companies analyzed, to enhance transparency and replicability of the study's findings.

Analysis: 1. The analysis part is carried out with the help of the following variables:

Profitability position: Return on Capital Employed and Net profit Margin Ratio

Solvency Position: Debt to Equity Ratio

Liquidity position: Current Ratio

Managerial Efficiency ratio: Fixed Assets Turnover Ratio

Table-1 Return on Capital Employed (%)

	Arvind Mills Ltd.	Nandan Denim	KG Denim	Aarvee Denim & Exports
Mar 2020	10.58	3.71	1.32	-0.39
Mar 2021	6.20	1.16	4.08	-5.46
Mar 2022	12.76	12.24	5.42	-5.97
Mar 2023	11.60	5.84	-5.74	-11.08
Mar 2024	12.21	12.28	-5.66	-12.31
Mean	10.285	7.046	-0.116	-250.78
SD	2.86525741	5.03986	5.30757	547.973

(Source: Financial Reports of Above Companies)

Interpretation: The data analysis revealed considerable differences in the financial performance among the companies studied. Arvind Mills Ltd. consistently generated positive returns, reflected by a mean ROCE of 10.29 and moderate volatility, with a standard deviation of 2.87. Nandan Denim also showed favorable financial outcomes, achieving a mean of 7.05; however, it experienced higher variability, as indicated by a standard deviation of 5.04. In contrast, both KG Denim and Aarvee Denim & Exports recorded negative average returns. KG Denim reported a slight negative mean of -0.12, while Aarvee Denim & Exports presented a significantly negative mean of -250.78, coupled with extreme volatility (SD = 547.97). These results suggest the presence of substantial operational inefficiencies or market difficulties affecting these two companies.

Table-2 Net Profit Margin (%)

	Arvind Mills Ltd.	Nandan Denim	KG Denim	Aarvee Denim & Exports
Mar 2020	2.55	-0.03	-3.35	-7.42
Mar 2021	2.04	-1.71	-1.42	-22.79
Mar 2022	0.79	3.11	-1.20	-9.83
Mar 2023	4.47	0.03	-5.36	-24.93
Mar 2024	4.29	2.23	-9.85	-52.65
Mean	2.828	0.726	-4.236	-23.524
SD	1.39178159	1.72832404	3.184729816	16.1102695

(Source: Financial Reports of Above Companies)

Interpretation: Indicates that the financial performance of the companies reflects considerable volatility. Arvind Mills Ltd. showed moderate positive returns with values fluctuating between 0.79 and 4.47 across the years, indicating stable but varying performance. Nandan Denim displayed mixed results, with both positive and negative returns, averaging around 2.23 in March 2024. KG Denim experienced persistent negative returns, with values steadily declining over the period, reflecting significant operational challenges. Aarvee Denim & Exports exhibited severe negative returns, particularly in FY 2024, indicating financial distress or adverse market conditions impacting its performance.

Table-3 Current Ratio

	Arvind Mills Ltd.	Nandan Denim	KG Denim	Aarvee Denim & Exports
Mar 2020	0.68	0.94	0.65	0.67
Mar 2021	0.88	1.04	0.73	0.72
Mar 2022	0.83	0.94	0.65	0.66
Mar 2023	0.74	0.84	0.56	0.61
Mar 2024	0.77	0.92	0.52	0.89
Mean	0.78	0.936	0.622	0.71
SD	0.07778175	0.071274119	0.082885463	0.107935166

(Source: Financial Reports of Above Companies)

Interpretation: The data indicates that none of the companies demonstrated consistently strong performance, although all showed modest and relatively stable returns. Arvind Mills Ltd. sustained a steady return, with figures ranging between 0.68 and 0.88. Nandan Denim displayed comparable consistency, with returns falling between 0.84 and 1.04. KG Denim experienced a slight declining trend, while Aarvee Denim & Exports saw fluctuations within the range of 0.61 to 0.89. Collectively, these findings suggest that the companies operated within a narrow band of returns, reflecting financial stability but limited growth potential.

Table-4 Debt Equity Ratio

	Arvind Mills Ltd.	Nandan Denim	KG Denim	Aarvee Denim & Exports
Mar 2020	0.76	0.97	1.84	1.78
Mar 2021	0.60	0.99	2.06	2.51
Mar 2022	0.57	1.04	2.58	3.27
Mar 2023	0.41	0.86	3.29	6.46
Mar 2024	0.36	0.56	5.89	16.14
Mean	0.54	0.884	3.132	6.032
SD	0.15984367	0.192691463	1.639716439	5.925948869

(Source: Financial Reports of Above Companies)

Interpretation: The data in the table illustrates the financial performance trends among the companies, highlighting distinct patterns. Arvind Mills Ltd. reported relatively consistent returns, with a mean of 0.54 and low variability ($SD = 0.16$), indicating stable performance. Nandan Denim showed steady progress, achieving an average of 0.88 with moderate variation ($SD = 0.19$). KG Denim reflected a higher potential for growth, recording a mean of 3.13, though it also experienced increased volatility ($SD = 1.64$). Aarvee Denim & Exports demonstrated notable growth with a mean of 6.03, but this was accompanied by considerable fluctuation ($SD = 5.93$), suggesting elevated operational risk and external market pressures influencing performance.

Table-5 Fixed Assets Turnover Ratio

	Arvind Mills Ltd.	Nandan Denim	KG Denim	Aarvee Denim & Exports
Mar 2020	1.63	1.57	2.00	1.23
Mar 2021	1.09	1.17	1.66	0.71
Mar 2022	1.72	2.20	2.29	1.23
Mar 2023	1.73	1.99	1.98	0.47
Mar 2024	1.52	1.96	0.99	0.39
Mean	1.538	1.778	1.784	0.806
SD	0.26432934	0.408986552	0.496719237	0.40457385

(Source: Financial Reports of Above Companies)

Interpretation: The data presented in the table reflects moderate fluctuations in company performance over the analyzed years. Arvind Mills Ltd. maintained steady returns, with figures ranging between 1.09 and 1.73. Nandan Denim demonstrated a consistent level of performance, with its values varying from 1.17 to 2.20. KG Denim experienced greater variability, with performance figures spanning from 0.99 to 2.29. In contrast, Aarvee Denim & Exports exhibited a declining trend, with returns dropping from 1.23 to 0.39, indicating difficulties in maintaining stable returns throughout the period.

Analysis:2. Comparative analysis of the financial performance of selected denim companies

Ho: There is no significance difference among the mean return on capital employed, net profit margin, current ratio, debt to equity ratio, and fixed asset turnover ratio pertaining to Arvind Mills Ltd., Nandan Denim, KG Denim, Aarvee Denim & Exports.

One Way-ANOVA						
		Sum of Squares	df	Mean Square	F	p-value
Return on Capital Employed Ratio	Between Groups	926.45	3	308.83	14.77	< 0.05
	Within Groups	334.68	16	20.92		
	Total	1261.13	19			
Net Profit Margin	Between	2284.605	3	761.535	8.85	< 0.05

	Groups					
	Within Groups	1374.884	16	85.929		
	Total	3659.489	19			
Current Ratio	Between Groups	0.31254	3	0.10418	12.95	< 0.05
	Within Groups	0.1286	16	0.00804		
	Total	0.44114	19			
Debt to Equity Ratio	Between Groups	108.315	3	36.105	3.81	0.027
	Within Groups	151.4886	16	9.468		
	Total	259.8036	19			
Fixed Asset Turnover Ratio	Between Groups	4.1453	3	1.3818	7.93	0.002
	Within Groups	2.7912	16	0.17445		
	Total	6.9365	19			

Inference

Return on Capital Employed Ratio, Net Profit Margin, Current Ratio, P value is < 0.05 which shows a significant difference in values of all denim companies.

Debt to Equity Ratio: As P value is < 0.05 (0.027) this shows that there is a significant difference between in debt to equity ratio for selected companies.

Fixed Asset Turnover Ratio: : P value < 0.05 (0.002), so there is significant difference.

Further as the calculated value of F varies in between 3.81 to 14.77 for groups which is greater than table value of F crit = 2.55 (3,16), there is significance difference in the Return on Capital Employed, Net Profit Margin, Current Ratio, Debt to Equity Ratio, and Fixed Asset turnover ratio of sample Textile companies at 5% level of significance, thereby rejecting the null hypothesis.

FINDINGS OF THE STUDY

The findings of the study revealed notable disparities in the financial performance of the selected listed denim companies in India. Arvind Mills Ltd. consistently demonstrated stronger financial stability and operational efficiency, as evidenced by its positive average Return on Capital Employed (ROCE) and Net Profit Margin, along with a relatively stable Current Ratio and lower Debt-to-Equity Ratio. Nandan Denim also exhibited favorable financial outcomes, though with higher variability across key indicators. In contrast, KG Denim and Aarvee Denim & Exports reflected significant financial underperformance, with persistent negative returns, declining profitability, and elevated debt levels, indicating operational inefficiencies and financial distress.

The application of one-way ANOVA further confirmed statistically significant differences in financial performance across all five key financial ratios ROCE, Net Profit Margin, Current Ratio, Debt-to-Equity Ratio, and Fixed Asset Turnover Ratio at a 5% level of significance. These findings reject the null hypothesis, establishing that the financial outcomes among the sample firms were not uniform. Overall, the analysis

underscored that financial planning, capital structure management, and operational efficiency varied considerably between market leaders and underperforming firms within the denim sector. This highlights the need for struggling companies to reevaluate their financial strategies to enhance competitiveness and long-term sustainability within the industry.

Limitations of the Study

The study is based solely on secondary data from financial statements and annual reports, which may not capture qualitative factors like managerial decisions or market dynamics affecting company performance.

The analysis excludes the assessment of technological adoption and sustainability practices, limiting the scope to purely financial performance indicators without considering modern industry competitiveness drivers.

CONCLUSION

The present study offers a comprehensive evaluation of the financial performance of selected listed companies within India's denim industry, emphasizing key indicators such as profitability, liquidity, solvency, and managerial efficiency. The analysis revealed significant financial disparities among the four firms analyzed: Arvind Mills Ltd., Nandan Denim, KG Denim, and Aarvee Denim & Exports. Arvind Mills Ltd. consistently demonstrated superior financial health, supported by stable profitability, controlled debt levels, and operational efficiency. Nandan Denim exhibited moderate performance, though characterized by variability across financial parameters. Conversely, KG Denim and Aarvee Denim & Exports showed persistent financial distress, indicated by negative profitability ratios, high leverage, and declining operational efficiency.

The one-way ANOVA results validated statistically significant differences across all examined financial ratios at a 5% level of significance, rejecting the null hypothesis and confirming non-uniformity in the financial performance of the sampled companies. These findings underscore the critical role of effective financial management, strategic capital structuring, and operational optimization in sustaining competitiveness within the denim sector. Moreover, the study highlights the pressing need for underperforming firms to reevaluate their financial strategies to mitigate risks and improve their market standing. Overall, the study contributes valuable insights for investors, industry stakeholders, and policymakers seeking to strengthen financial resilience and foster sustainable growth in India's denim industry.

REFERENCES

1. Gupta, V. (2017). Performance evaluation of textile companies: An empirical analysis. *Journal of Business & Textile Management*, 22(4), 175–189.
2. Indhumathi, C., & Palanivelu, P. (2013). Financial performance of textile companies in India: An evaluation of key financial ratios. *International Journal of Textile Research*, 9(3), 233–245.
3. India Brand Equity Foundation (IBEF). (2024). Textile industry overview. Retrieved from <https://www.ibef.org>
4. Moneycontrol.com. (n.d.). Company financials and reports. Retrieved from
5. http://www.moneycontrol.com/stocks/company_info/print_main.php
6. Rajni, & Dhani, J. K. (2018). A comparative analysis of the financial performance of textile companies in India. *Journal of Textile Economics*, 30(2), 101–115.
7. Raichurkar, P., & Manickam, R. (2015). Recent trends and developments in the Indian textile industry: A review. *Textile Industry Review*, 18(1), 50–63.
8. Thabasvini, B. J., & Nandhini, M. (2023). An examination of the financial performance of textile companies. *Journal of Textile Industry Studies*, 12(1), 45–59.