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Financial Indicators and Performance Evaluation of Kerala State Handloom Weaver’s Cooperative Society Ltd at Thiruvananthapuram

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Abstract

The present study assesses the financial performance of HANTEX, Thiruvananthapuram in the period of 2021-2025 based on the financial indicators. The study uses ratio analysis, trend analysis and comparative balance sheets to analyze various components, including liquidity, profitability, and operational efficiency. The results show positive developments in the overall sales figures – a sign of high demand in the market – but at the same time, there are very serious problems in the liquidity ratios of the company and in its profitability level, which is becoming unstable because of growing operating costs. In addition, the study shows lack of financial stability with negative reserves and a high dependence on external borrowing. Overall, the study finds that HANTEX has a solid market presence but there is a critical need for better cost management and strategic financial planning to secure its sustainability and organizational health in the future.

Keywords: Financial Analysis, Liquidity, Ratio Analysis, Profitability, Solvency are the keywords related to the course.

Introduction

Financial Performance is an essential process in which quantitative data from the financial statements are used to evaluate the health and sustainability of an organization. By analyzing various financial metrics like profitability, efficiency, and potential risks, management can make informed decisions on how to optimize the business’s performance and future growth. The analysis is especially important for a cooperative society such as HANTEX, as it enables the society to utilize its resources in an optimal way, to ensure economic viability and to continue its social welfare obligations to its members. The study has compared the data from past times with the current trends to provide the required information to make strategic decisions and achieve long-term growth in a competitive business setting.

Review of Literature

The present study focuses on the socio-economic conditions, and the downward trend of handloom production and handloom weavers in India, and the rising need for financial support from banks to support the sector. (Pallavi S. Kusugal, 2023) Payal Parmar & Dr. Dinesh R. Chavda, (2022) This study examines the financial condition of textile industries in India based on the various ratios of the companies and results it can be concluded that the overall financial position is decent but there is not much difference between the companies. This study reveals that among different textile companies, some are more profitable, while others face liquidity issues; thus, strategic financial planning is crucial for achieving stability. This research compares different textile companies and brings to notice that some textile companies are more profitable while some are facing liquidity issues and therefore, strategic financial planning is essential for achieving stability. This paper discusses the significance of ratio analysis as an important measure of organizational efficiency and how it assists management in making informed decisions on strategic planning for sustainable long-term growth. The study is intended to explore the challenges faced by the handloom weavers in Pochampally region to repay loans. Data of 571 respondents were analyzed by factor analysis.

Research Methodology

The design of this study used descriptive and analytical research with the aim of examining the financial performance of HANTEX. It is mostly based on secondary data collected from the annual reports and financial statements of the organization for the last five years (2021-2025). Various financial tools such as ratio analysis, trend analysis and comparative statements are used to evaluate the key performance indices. Statistic analyses, such as linear regression, are also used to determine the significant trends and forecast future financial stability. The systematic approach allows to have a broad evaluation of the liquidity, profitability and financial stability of the organisation.

Objectives

- To evaluate the financial performance of HANTEX by using some key financial indicators.
- To evaluate the growing trends in financial performance of HANTEX.

Data Analysis and Interpretation

Ratio Analysis

A ratio analysis is crucial financial analysis tool to assess the financial performance of a company. It is finding and analysing the ratios from the financial statements like the Balance Sheet and Profit and Loss Account. The ratio analysis is beneficial in getting an idea of the financial position, its efficiency of operation, and overall performance of the organization.

Formulas

The Current Ratio is equal to Current Assets divided by Current Liabilities.

Quick Ratio: $(\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$

The Gross Profit Ratio is the ratio of gross profit to net sales, expressed as a percentage.

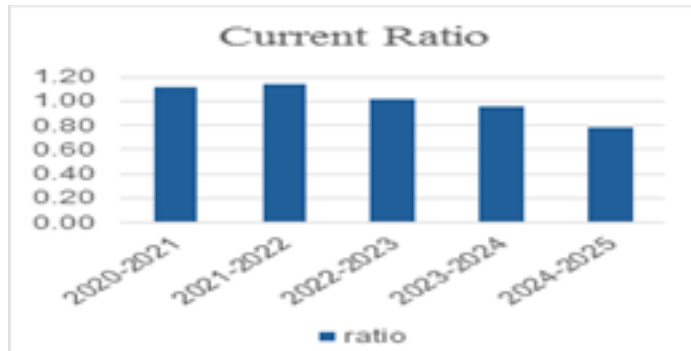
Net Profit Ratio = $\text{Net Profit} / \text{Net Sales} \times 100$

Operating Profit Ratio is calculated as $\text{Operating Profit} / \text{Net Sales} \times 100$

Current Ratio

Table 1.1 Current Ratio

Year	Ratio
2020-2021	1.12
2021-2022	1.14
2022-2023	1.02
2023-2024	0.95
2024-2025	0.78



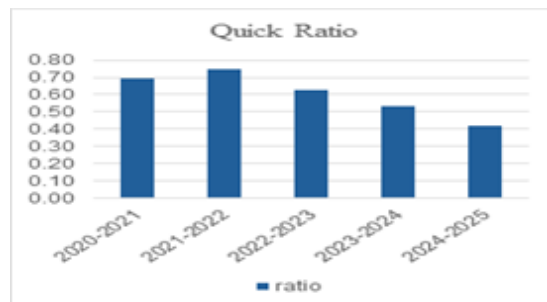
Source: Annual Report of Hantex

The table shows a consistent decline in the current ratio from 1.12 in 2020-21 to 0.78 in 2024-25, indicating a weakening liquidity position. Since the ratio has fallen below the benchmark of 1.0, the company may face difficulties in meeting its short-term obligations using its current assets.

Quick Ratio

Table 1.2 Quick Ratio

Year	Ratio
2020-2021	0.69
2021-2022	0.75
2022-2023	0.62
2023-2024	0.53
2024-2025	0.42



Source: Annual Report of Hantex

The company's quick ratio has steadily declined from 0.75 to 0.42, consistently remaining well below the ideal 1:1 benchmark. This indicates a poor liquidity position, as the business lacks enough liquid assets to settle immediate debts without relying on slow-moving inventory. The downward trend reflects an increasing risk of insolvency and a critical need for better cash management.

Gross Profit Ratio

Table 1.3 Gross Profit Ratio

Year	Ratio
2020-2021	44.01
2021-2022	30.55
2022-2023	35.2
2023-2024	37.23
2024-2025	20



Source: Annual Report of Hantex

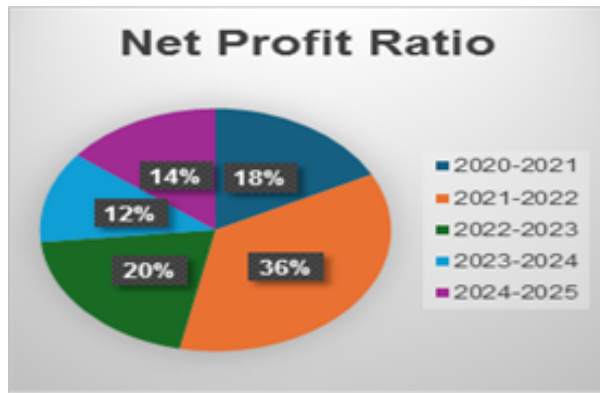
The Gross Profit Ratio shows significant fluctuation, peaking at 44.01% in 2020-21 before dropping to a low of 20% in 2024-25. While there was a slight recovery between 2022 and 2024, the sharp decline in the final year suggests a substantial increase in production costs or a decrease in selling prices.

Net Profit

Table 1.4 Net Profit Ratio

Year	Ratio
2020-2021	35.12
2021-2022	72.13
2022-2023	40.44
2023-2024	24.51
2024-2025	29.05

The Net Profit Ratio experienced high volatility, peaking at 72.13% in 2021-22 before dropping to 29.05% by 2024-25. This significant fluctuation suggests inconsistent control over operating expenses, interest, and taxes relative to total sales. While the final year shows a slight recovery, the overall trend indicates a need for better cost management to ensure stable bottom-line profitability.



Source: Annual Report of Hantex

Operating Profit

Table 1.5 Operating Profit Ratio

Year	Ratio
2020-2021	38.65
2021-2022	75.54
2022-2023	43.49
2023-2024	28.54
2024-2025	32.47



Source: Annual Report of Hantex

The Operating Profit Ratio showed high volatility, peaking at 75.54% in 2021-22 and ending at 32.47% in 2024-25. These fluctuations suggest inconsistent efficiency in managing core operational costs relative to sales over the five-year period. While a slight recovery occurred in the final year, the overall trend highlights the need for better control over operating expenses.

Trend Analysis

Trend analysis is used to study the changes in financial performance over a period of time. It helps in identifying whether the financial position of the organization is improving or declining. By comparing financial data of different years, trend analysis helps in understanding the growth pattern and overall performance of the organization.

Trend Analysis for Sales

Table 1.6 Trend Analysis for Sales

Year	Trend %
2021	100
2022	111.38
2023	121.11
2024	135.99
2025	143.48



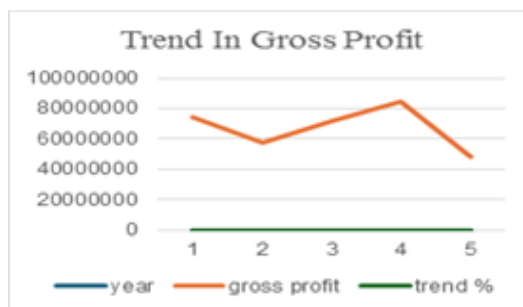
Source: Annual Report of Hantex

The sales trend analysis shows consistent and positive growth, steadily rising from the base year in 2021 to 143.48% in 2025. This reflects a total revenue increase of approximately 43.5%, indicating strong market demand and effective expansion strategies. Overall, the continuous upward trajectory suggests a healthy and sustainable growth pattern for the organization.

Trend Analysis for Gross Profit

Table 1.7 Trend for Gross Profit

Year	Trend %
2021	100
2022	77.31
2023	96.87
2024	115.04
2025	65.2



Source: Annual Report of Hantex

The trend analysis for Gross Profit shows high volatility, dropping from the 2021 base year to 77.31% in 2022 before a temporary recovery to 115.04% in 2024. However, a sharp decline to 65.2% in 2025 indicates a significant loss in profitability compared to the starting period.

Trend Analysis for Net Profit

Table 1.8 Trend Analysis of Net Profit

Year	Trend %
2021	100
2022	228.76
2023	139.45
2024	94.91
2025	118.7



Source: Annual Report of Hantex

The Net Profit trend has been extremely volatile, reaching a peak of 228.76% in 2022 and falling below the base level to 94.91% in 2024. The overall trend suggests that there is a good deal of inconsistency in the bottom line earnings, although there is a recovery from the dips in 2025 and it is expected to reach 118.7%. This means that the company must speak stability with regards to its indirect costs and tax handling to ensure a more predictable long run profitability.

Findings

- The Current Ratio showed a declining trend from 1.12 in 2020–21 to 0.78 in 2024–25, indicating a weakening ability of the company to meet its short-term obligations.
- The acid-test ratio (Quick ratio) fell significantly from moderate to 0.42, primarily because of higher inventory levels and greater current liabilities.
- The reduction in immediate liquidity is primarily associated with the rising levels of inventory, which was also a steady rise during the study period.
- Total sales showed a consistent upward trend, reaching a peak in 2024–25, indicating strong market demand and business growth.
- Although sales increased, Gross Profit Ratio decreased to 20.00%, indicating that the increase in the cost of production decreased profit margin.
- There was variation in Net Profit Ratio during the period, suggesting instability in profitability and poor cost control.
- The Operating Profit Ratio was not consistent because of the high operating cost impacting core business.

Suggestions

- The company can enhance its liquidity position by raising the current assets, while controlling the short term liabilities to pay them in time.
- Short-term attention can be paid to make the company's Quick Ratio more favorable, meaning reducing excess inventory and having more liquid assets.
- Good inventory control can be implemented to prevent excess inventory and speed up the inventory turnover.
- The firm needs to adopt stringent cost control measures for improving the Gross Profit Ratio and have better margins.
- An attempt may be made to improve the Net Profit Ratio by cutting down on unnecessary expenses and making things more efficient.
- Operating expenses can be reduced to boost performance and improve efficiencies.
- The organization can make efforts to minimize the losses continually and improve its financial status.

Conclusion

According to the study, HANTEX continues to enjoy significant market presence with steady sales growth, but has large financial hurdles. At the same time, the business' liquidity is deteriorating, and profitability is being strained due to increased production costs. The substantial dependence on external borrowings and also the presence of negative reserves suggest that financial restructuring is required urgently. For sustainability, the society needs to be conscious of cost management, rational inventory and financial planning to make the overall solvency and stability more robust.

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