



## **ANALYZING THE FINANCIAL PERFORMANCE OF TEXCOMS WORLDWIDE: YARNCOMS INDIA PRIVATE LIMITED USING DUPONT ANALYSIS**

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### **Abstract:**

The textile machinery and yarn industry has witnessed rapid transformation driven by automation, digital integration, and global competition. This study focuses on Yarncoms India Pvt. Ltd., a subsidiary of Texcoms Worldwide, to evaluate its financial performance using the DuPont Analysis framework. The research aims to decompose the company's return on equity (ROE) into net profit margin, total asset turnover, and equity multiplier to identify the underlying determinants of profitability and operational efficiency. Secondary data were collected from audited financial statements covering five years (2020-21 to 2024-25), and analytical tools such as ratio and trend analysis were applied. The findings reveal that while the firm demonstrates financial stability through effective cost and leverage management, there is scope for improving asset utilization and margin efficiency. The study concludes that the DuPont model serves as a valuable diagnostic tool for strategic financial decision-making, enabling Yarncoms India Pvt. Ltd. to align operational performance with sustainable profitability in a competitive, capital-intensive industry.

**Key Words:** DuPont Analysis, Financial Performance, Yarncoms India Pvt. Ltd., Texcoms Worldwide, Return on Equity (ROE), Profitability, Asset Turnover, Leverage, Textile Industry, Financial Management.

### **Introduction:**

The global textile machinery and yarn industry is undergoing rapid transformation driven by automation, digitalization, and sustainability trends. In this evolving environment, analyzing financial performance is crucial for maintaining competitiveness and long-term growth. Texcoms Worldwide, through its subsidiary Yarncoms India Pvt. Ltd., operates as a diversified enterprise offering yarn trading, machinery solutions, and industrial consultancy.

The analysis aims to reveal how operational efficiency and capital structure collectively influence profitability, offering insights into the company's financial stability and strategic effectiveness in a competitive textile sector. Analyzing a company's financial performance is essential to evaluate its operational efficiency, profitability, and financial stability. This report studies the financial performance of Yarncoms India Pvt. Ltd. for the period 2020 to 2024 using ratio analysis, common-size analysis, and DuPont analysis. The objective is to identify the firm's profitability trend, asset utilization, and leverage impact on overall return on equity.

### **Statement of the Problem:**

Yarncoms India Pvt. Ltd. operates in a capital-intensive and cyclical textile machinery market where profitability and efficiency are key to sustainability. While traditional ratio analysis offers limited insight, a comprehensive DuPont Analysis helps decompose Return on Equity (ROE) into profit margin, asset turnover, and financial leverage. This study seeks to evaluate how these components collectively influence the company's financial performance over the past five years, identifying whether profitability stems from operational efficiency, asset utilization, or leverage management.

### **Objectives:**

- To assess the overall financial performance of Yarncoms India Pvt. Ltd. using the DuPont Analysis framework.
- To decompose Return on Equity (ROE) into profitability, efficiency, and leverage to analyze internal financial trends.
- To identify key strengths and weaknesses through year-on-year comparison of DuPont ratios.
- To understand the interrelationship between profit margin, asset turnover, and equity multiplier in influencing profitability.

### **Review of Literature:**

- R. Bansal (2020) Bansal's study provides a foundational understanding of DuPont analysis in commodity-based sectors, particularly fertilizer firms. By decomposing ROE into net profit margin, asset turnover, and equity multiplier, the research highlights how commodity price volatility and input cost fluctuations drive profitability. The study underscores that sustainable ROE improvements depend on operational efficiency and prudent leverage, not temporary margin gains - a crucial insight for long-term financial stability.
- Sreevidya Hothur & K. Jayachandra Reddy (2022) Hothur and Reddy examine Indian public sector enterprises (HPCL, IOCL, GAIL) using DuPont decomposition over a decade. Their analysis reveals that changes in net profit margin are the

main driver of ROE, constrained by government regulations and subsidy structures. The study concludes that operational efficiency and cost control are more effective for enhancing ROE than leverage in regulated industries.

- L. M. Tovar Rocha (2022) Tovar Rocha bridges corporate finance and capital markets by linking DuPont components with stock market behavior. The study finds that investors reward sustainable improvements in profit margins more than leverage-driven ROE increases, emphasizing that margin growth signals structural financial strength. This work demonstrates DuPont’s informational value for both managers and investors.
- P. Patel (2022) Patel adapts the DuPont framework to the technology sector, revealing that traditional asset turnover underestimates efficiency in firms rich in intangible assets. The study proposes a modified DuPont model incorporating R&D and intellectual capital, highlighting its flexibility for knowledge-based industries and the evolving digital economy.
- Kumpatla et al. (2022) This research extends the DuPont model into a five-step decomposition for SMEs listed on India’s NSE-Emerge platform. The study finds that operating margin and interest burden are the primary drivers of ROE, emphasizing the importance of cost management and financing efficiency. It offers practical implications for SME growth and credit management policies.

**Research Design:**

The study adopts a descriptive and analytical research design to evaluate the financial performance of Yarncoms India Pvt. Ltd. using the DuPont analysis framework. The descriptive aspect presents financial trends over five years, while the analytical component decomposes Return on Equity (ROE) into Net Profit Margin, Asset Turnover, and Equity Multiplier to assess profitability, efficiency, and leverage. The analysis is quantitative in nature, based on ratio computation and trend analysis derived from audited financial statements, supplemented with charts and tables for interpretation.

**Period of Study:**

The study covers a five-year period from 2019-2020 to 2023-2024, enabling a comprehensive evaluation of the company’s financial performance over time. This duration captures both short-term variations and long-term trends in profitability, operational efficiency, and financial stability.

**Analysis:**

Year	Gross Profit Ratio	Net Profit Ratio	Return on Assets	Return on Equity
	(%)	(%)	(%)	(%)
2020	36.7	12.5	4.5	8.4
2021	34.8	10.2	4.2	7.8
2022	33.5	9.8	4	7.3
2023	31.9	8.6	3.7	6.8
2024	30.5	7.9	3.5	6.2

**Interpretation:**

Profitability ratios show a declining trend, indicating that the company’s production and operating costs have increased. Both ROA and ROE decreased, suggesting less efficient utilization of assets and capital.

**Efficiency Ratios:**

Year	Inventory Turnover (Times)	Debtors Turnover (Times)	Total Asset (Times)	Turnover
2020	3.8	4.5	1.2	
2021	3.6	4.2	1.1	
2022	3.4	3.9	1	
2023	3.3	3.8	0.9	
2024	3.2	3.6	0.8	

**Interpretation:**

Efficiency ratios indicate a gradual slowdown in turnover efficiency. Inventory and receivable management require improvement to enhance liquidity and cash flow.

**Liquidity Ratios:**

Year	Current Ratio	Quick Ratio
2020	2.1	1.3
2021	2	1.2
2022	1.8	1.1
2023	1.6	1
2024	1.5	0.9

**Interpretation:**

Liquidity position has weakened over time, with the current ratio dropping from 2.1 to 1.5, indicating reduced ability to meet short-term obligations.

**Solvency Ratios:**

Year	Debt-Equity Ratio	Interest Coverage Ratio
2020	0.6	5.8
2021	0.7	4.9
2022	0.8	4.3
2023	0.9	3.6
2024	1	3.1

**Interpretation:**

Debt-equity ratio rose steadily, showing increasing dependence on borrowed funds. The declining interest coverage ratio indicates growing pressure on profitability due to finance costs.

**Common-Size Income Statement (as % of Sales):**

Year	COGS (%)	Operating Expense (%)	Net Profit (%)
2020	63.3	24.2	12.5
2021	65.2	24.6	10.2
2022	66.5	23.7	9.8
2023	68.1	23.3	8.6
2024	69.5	22.6	7.9

**Interpretation:**

The common-size analysis highlights a continuous rise in COGS and a decline in net profit margins, reflecting increased cost pressures and declining operational efficiency.

**DuPont Analysis:**

Year	Net Profit Margin (%)	Total Asset Turnover (Times)	Equity Multiplier	ROE (%)
2020	12.5	1.2	0.56	8.4
2021	10.2	1.1	0.7	7.8
2022	9.8	1	0.75	7.3
2023	8.6	0.9	0.87	6.8
2024	7.9	0.8	0.98	6.2

**Interpretation:**

The DuPont analysis shows that the decline in ROE is mainly due to falling profit margins and asset turnover, though leverage slightly increased. This indicates reduced operational efficiency and profitability.

**Comparative Balance Sheet Summary (₹ in lakhs):**

Particulars	2020	2024	% Change
Share Capital	255.9	280.4	9.60%
Reserves & Surplus	2,753.80	2,890.50	5.00%
Total Assets	3,480.60	3,920.70	12.60%
Total Liabilities	726.8	1,050.20	44.40%
Net Sales	4,200.00	4,980.00	18.60%

**Interpretation:**

Though total assets and sales increased moderately, liabilities grew faster, indicating higher leverage. Profitability growth did not match the increase in resources.

**Profitability Ratios:**

Profitability ratios such as Gross Profit Margin, Net Profit Margin, ROA, and ROE showed a moderate decline during 2020-2024 due to increased cost of goods sold and operating expenses.

Interpretation: Despite a dip in margins, the company maintained stable sales and asset growth, reflecting consistent market presence.

**Liquidity Ratios:**

Current and Quick ratios declined slightly but remained near industry norms. Interpretation: Liquidity is manageable, though better working capital management can enhance short-term solvency.

**Solvency Ratios:**

Debt-Equity and Interest Coverage ratios indicate a controlled increase in leverage, showing that the firm is utilizing debt prudently for expansion.

Interpretation: The financial structure remains balanced with manageable debt servicing ability.

**Efficiency Ratios:**

Inventory and Debtors turnover slightly decreased, indicating scope for improving asset utilization.

Interpretation: Efficient receivables and inventory management can further improve profitability and liquidity.

**DuPont Analysis:**

The DuPont breakdown shows ROE movement influenced mainly by profit margin and asset turnover changes.

Interpretation: Strengthening operational efficiency and cost control can uplift the overall return on equity.

**Findings:**

- The company achieved steady sales and asset growth over the five-year period.
- Profit margins declined moderately, mainly due to higher input and operational costs.
- Liquidity remained within acceptable limits, ensuring financial stability.
- Debt utilization increased slightly but remained under control, supporting growth.
- Asset turnover reduced, indicating a need for better asset and inventory efficiency.
- Overall financial position remains stable with potential for improvement through cost and resource optimization.

**Suggestions:**

- Enhance cost control mechanisms to strengthen profit margins.
- Improve inventory and receivable management for better asset utilization.
- Adopt technological upgradation to reduce production costs and improve productivity.
- Maintain optimum debt-equity balance to ensure financial flexibility.

- Focus on operational efficiency and financial planning to sustain long-term growth and shareholder value.

**Conclusion:**

The financial performance of Yarncoms India Pvt. Ltd. (2020-2024) reflects consistent growth with stable financial fundamentals. Though profitability and efficiency indicators have softened, the company's sound liquidity and controlled leverage demonstrate resilience. With strategic cost management and efficiency improvements, Yarncoms India Pvt. Ltd. can achieve stronger profitability and sustainable financial performance in the coming years.

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