
Share Prices Fluctuations in Top Two Indian Textile Firms: A Comparative Analysis

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It is a worthwhile endeavour to advance the scholarly understanding of the concept of fluctuation in share prices for effective management of an organization. Thereafter, we identify factors particularly relevant for firms in the textile industry.

Our analysis reveals that fluctuation in the share prices of a particular company arises due to following factors:

- Financial Performance & Release of Current News on the Company's Working
- Industry Trends
- Government Policies & Schemes
- Economic Factors incl. Economic Policies, Inflation, etc.
- Dividend Declaration
- Investment by FII's in the relevant sector of the economy
- Variables Analysis including EPS, Net Asset Value per share, Price Earning etc.
- Technical Factors including GDP%, CPI%, Interest Spread etc.
- Price Equity Ratio (comparison of market price of the stock with its book value).

This article tries to explain how fluctuation arises in the share prices of the following two selected textile firms, namely, Alok Industries and Welspun India which are second and third in terms of market capitalization in the industry.

S.No.	Company Name	Market Capitalization(Rs. Cr)
1	Alok Industries	10.476.66
2	Welspun India Ltd.	6937.63

Here we will be analysing the factors which are affecting the share prices of the selected textile firms in the last 5 years.

COMPARATIVE ANALYSIS: FINANCIAL PERFORMANCE *

ALOK INDUSTRIES: FINANCIAL PERFORMANCE					
Particulars	2016	2017	2018	2019	2020
EPS	-27.03	-25.8	-134.1	16.67	8.45
WELSPUN INDUSTRIES: FINANCIAL PERFORMANCE					
Particulars	2016	2017	2018	2019	2020
EPS	5.99	3.05	3.03	1.41	4.73

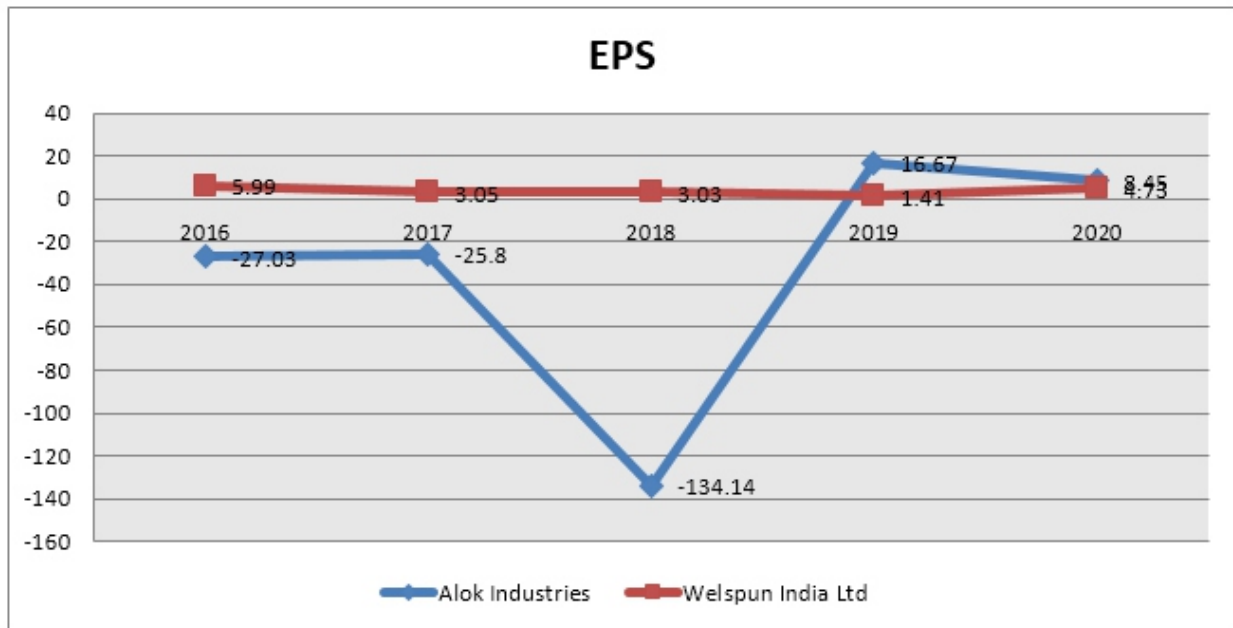


Figure 1 Comparative Analysis of Earning per Share of Alok Industries and Welspun Industries

Figure 1 indicates the comparative analysis of EPS between Alok Industries and Welspun Industries. EPS indicates earnings by a company in a particular time frame. The graph is a visual representation of overall inferior performance of Alok Industries as compared with Welspun India Ltd. The figure indicates a huge decline in the EPS of Alok Industries between the year 2017 and 2018 as compared with Welspun India Ltd.

The poor performance of Alok Industries can be attributed to a number of factors. There is a continuous decline in the sales of Alok owing to the write off of debtors, burden of high rate of interest and depreciation and decrease in investment and loans given to wholly owned subsidiaries of the company. Due to the weak manufacturing operation of the company, the organization wrote off debtors in the subsequent years.

Further, Alok Industries planned to increase the investment in the stock market, but to bad market sentiment led to defaults in payments and enlargement in the debtors and receivables cycle due to which problems arose in the payment of new supplies in the company. A combination of these negative factors in resulted in decrease in revenue and profitability of the company.

Between the year 2018 and 2019 the EPS of Alok Industries improved as it progressed phenomenally from a negative number (-134.14) to a positive number 16.67. Efforts to improve relationship with global brands and retailers were instrumental in this turnaround. They provided wide range of products through market segmentation and also due to State-of-the-Art manufacturing facilities and supporting infrastructure. After 2019, selected companies have adopted some government schemes and policies

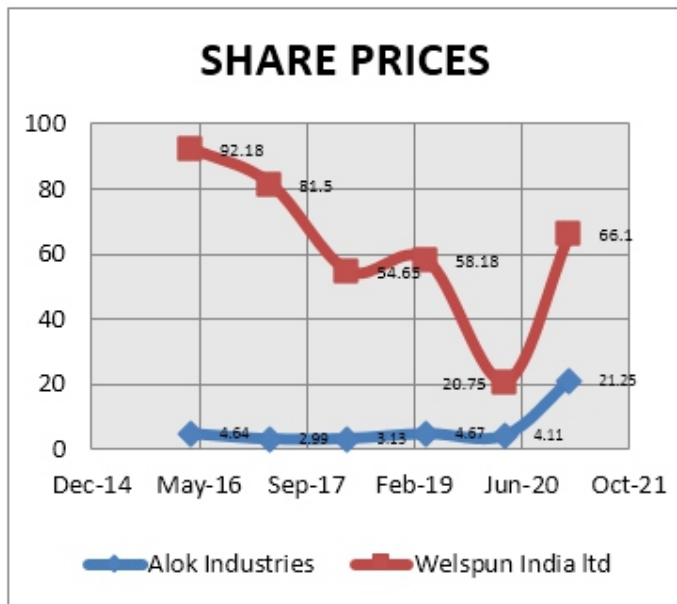
which led to an increase in the EPS of selected companies and growth in the company's financial performance.

Government Schemes which contributed to the revival of bank credit in the economy are as follows:

- a. Made in India;
- b. SCBTS (Scheme for Capacity Building In Textile Sector) a skill development schemes for companies internal growth;
- c. Silk Sangram Scheme, a scheme for the purpose of providing or making improvement in the quality and productivity of the domestic silk which results in decrease in the use of imported silk;
- d. RBI rules for NPA; and
- e. Insolvency and Bankruptcy Code rules

These efforts increased a sense of transparency which in turn will increase investor confidence in the banking sector of the country. The process of recapitalisation of public sector banks and resolution of distressed assets under the IBC is expected to improve the business and investment environment in future.

ALOK INDUSTRIES - CHANGE IN SHARE PRICES		
Date	Open	Close
31-Mar-16	4.66	4.52
01-Apr-16	4.54	4.64
31-Mar-17	3	2.97
03-Apr-17	2.97	2.99
28-Mar-18	2.99	2.99
02-Apr-18	3.13	3.13
28-Mar-19	4.68	4.68
01-Apr-19	4.23	4.67
31-Mar-20	3.92	3.92
01-Apr-20	3.73	4.11
29-Jan-21	21.5	21.25
01-Feb-21	21.65	21.3
Welspun India Ltd. Share Prices		
Date	Open	Close
01-04-2016	101.9	92.18
31-03-2017	88.9	81.97
03-04-2017	87.8	81.5
28-03-2018	59.1	54.69
02-04-2018	59.25	54.65
28-03-2019	60.6	56.75
01-04-2019	60.1	58.18
31-03-2020	22.25	21.8
01-04-2020	21.9	20.75
01-01-2021	68.5	68.4
29-01-2021	68.3	66.1



Figure

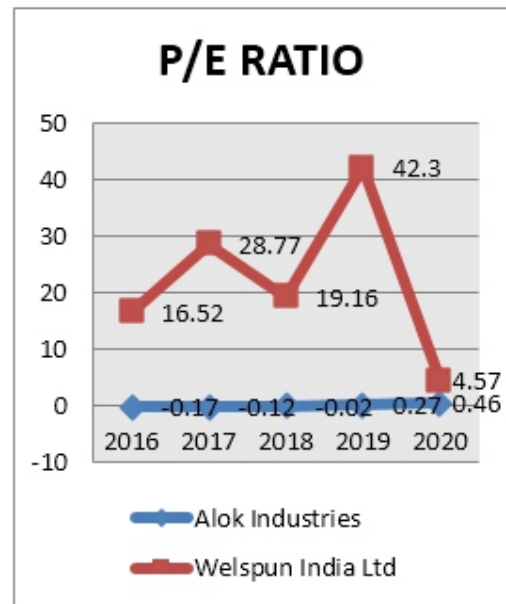


Figure 3

P/E Ratio shows the relationship between the EPS and the share prices of the two companies. In Figure 2 & 3, if we relate share prices and P/E Ratio both are interrelated to each other as there is fall in the share price of Welspun India Ltd. with respect to negative effect in EPS throughout the year, up to financial year 2019-20.

In 2020, COVID-19 brought economic crisis not only in our country but also affected the world and developed countries. Consequently, there was a huge decline in the share prices of companies in almost every sector. This may have contributed to huge decline experienced by Welspun India Ltd. from 2019 to 2020.

In 2019, there were six additional courses added by Ministry of Textiles, Government of India for technical up gradation of the employees working in the textile industries through SAMARTH scheme. As such, this was also adopted by these selected textile companies. This enables the textile companies to have more of trained and skilled workforce which led to increase output and growth in these companies. Ultimately, this will have a positive effect on the share prices of these companies.

Other factors which create fluctuation in share prices are as follows:

- Economic Policies like ATUFS scheme (Amended Technology Up-gradation Fund) also helped the textile sector to facilitate adds on to the investment, productivity, quality, employment and exports promotion. It will also indirectly promote investment in textile machinery which is used for manufacturing activities in the textile sector. In this scheme, government helps textile firms in capital generation by providing subsidy on manufacturing investment. Some export promotion schemes like TUFS (Technology Up-gradation Fund Scheme), NCDC which helps textile firms to promote their

exports which results in development of economy in textile sector and which may help the share prices of selected textile companies improve in value.

- Government also announced a special package of US\$ 31 billion during 2018-20 to boost export and help to improve employment and attract investment.

CONCLUSION:

In conclusion, Alok Industries share prices are not severely affected as they show slight decline as compares with Welspun India Ltd. The fundamental reason behind this is that Alok Industries managed to maintain their performance and reputation in the market and improved their profitability through various schemes introduced by government. A close look at the performance of these two companies during the pandemic (when the economy was adversely affected) reveals that the two companies sailed through with relative ease even during testing times because of government support (through financial package). It is evident that the textile sector needs financial support from the government. Furthermore, pro-growth policies for textiles can strengthen the sector. Positive government intervention and proactive stimulus policies will likely contribute to sustainable growth in the textile sector for the foreseeable future.