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A STUDY ON FINANCIAL ANALYSIS OF AVENUE SUPERMARTS LTD (DMART)

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ABSTRACT

The term financial performance analysis refers to the process of determining the growth aspect, strength, weakness, opportunities, threats of the organization by establishing relationship between the items in the Balancesheet and Profit&Loss account. The study used 5years of Dmart industries available secondary data and main objective of the study is to findout the growth aspect of the organization in respective 5 years. The various tools like current ratios, liquidity ratios ,solvency ratios, profitability ratios are used to arrive at the findings and to provide valuable suggestion that helps the organization to have a look into the growth aspects of the organization .The study reveals that there was gradual rise and fall in the growth of the company during the study period and was satisfactory.

KEYWORDS: ***Growth aspects, rise and fall, financial analysis***

1. INTRODUCTION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. Information about financial performance of an enterprise during the financial period is primarily provided in an income statement or profit and loss account. This shows income, expenditure and finally net profit. The ability to understand, analysed, interpret and use of information given in the financial statements depends upon the understanding of accounting and finance. This process used to clearly understand the growth of long term and short-term of D`mart. There are several ways to analyse this data using ratio analysis in research. Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the status of investment in the business and the result achieved during the period under review. They reflect a combination of recorded facts, accounting conventions and personal judgment and conventions applied which affect them materially. The soundness of the judgment necessarily depends on the competence and integrity of those who make and, on their adherence, to generally accepted accounting principles and conventions.

2. STATEMENT OF THE PROBLEM

When the stores are allowed to operate unhindered, The Dmart stores recovered to 80% or more of pre-Covid sales in most stores. Discretionary consumption continues to be under pressure, especially in the non-FMCG products. This is impacting gross margins negatively. Covid-19 continues to spread across the country. The ensuring restrictions have had a significant impact on D`mart operational and financial performance in the quarter. The revenue of the D`mart, ebidta and PAT for the quarter were significantly lower as compared to the same quarter last year. this encouraged the researcher to study the financial performance of the D`mart. Based on the above issues the researcher has probed the following questions.

1. How and when was the Dmart originated?
2. What is the profitability position of Dmart in India?

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3. OBJECTIVES OF THE STUDY

- To study the growth aspects of D`mart.
- To measure D`mart financial results.
- To analyse the liquidity and profitability position of the D`mart.
- To offer suggestions that are based on study findings.

4.RESEARCH METHODOLOGY

Source of Data	Secondary data
Period of Study	2015-16 to 2019-20
Framework of Analysis	Financial Statements
Tools and Techniques	Ratio Analysis

5. STATISTICAL TOOLS

The following statistiacal tools were applied to analyze the statistical data collected for calculation of financial performance analysis

Ratio analysis

- Profitability ratios
- Liquidity ratios
- Solvency ratio
- Working capital ratio

6. REVIEW OF LITERATURE

Sai Shruthi Vaigunta Moorthy and Dr.Chetan Panse(2020)

"Retail sector is the backbone of any community.it provides the basic necessity of human beings or help them process it, i.e food and many other products like apparel, electronics and home product". the ratios the researcher adopted for their study for comparison are liquidity parameters like quick ratio, current ratio, return on asset (ROA), Return on Equity, which acts as a indicators of profitability of an organization net profit margin and Inventory turnover ratio.

Sinha and Banerjee (2004) recommended that developing retail condition in India is by all accounts influencing the introduction and Indian retailing is confronting a move. He recommended that retailers in shopping centers need to take up the undertaking of exhibiting the esteem included by the store - the arrangement of the store could be the prime driver.

Malliswari.M (2007) indicated that Indian consumer is now sowing the seeds for an exciting retail transformation that he already started bringing in larger interest from international brands/ formats. With the advent of these players, the race is on to please the

Indian customer and it's time for the Indian customer sits back and enjoys the hospitality to be integrated like a king.

7.TABLE

Year	Current Ratio	Liquid Ratio	Net Profit Ratio	Roce	Roa	Proprietary Ratio
2015-16	1.31	0.22	3.70	23.38	10.31	49.06
2016-17	3.19	2.19	4.06	17.83	8.31	66.14
2017-18	2.88	1.18	5.22	25.43	13.98	82.72
2018-19	1.67	0.37	4.70	25.43	13.38	79.95
2019-20	3.18	0.53	5.47	16.24	11.17	92.14

8. FINDING OF THE STUDY

- The current ratio shall be 2:1. During the year 2015-16, the current ratio was 1.31:1 and then increased to 3.19:1 in the year 2016-2017, and the decline to 2.88:1 in the year 2017-2018 and remains decreasing to 1.67:1 in the year 2018-2019 and increased to 3.18:1 in the year 2019-2020 However, the management of Avenue Supermarts ltd

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should initiate necessary steps to create an asset and reduce the liabilities.

- The standard form of quick ratio is 1:1. Liquid ratio is increased in the year 2016-17 to 2.19:1 from 0.22:1 and it has decrease to 1.18:1 in the year 2017-18 and to 0.53:1 from 0.37:1 in the year 2019-20. However, the ratio is less than the standard ratios so it is not satisfactory.
- the return on working capital employed in the year 2015-2016 is 23.38% and there is decline in 2016-2017 17.83% and in 2017-2018 and 2018-2019 there is growth of 25.43% and 25.43 %. But in the year 2019-2020 it decreased to 16.24 %.
- Net profit -the year 2015-16 net profit ratio was 3.70% then ratio increased in the year 2016-2017 it has increased to 4.06%. The net profit ratio has gradually increased in 2017-2018 as 5.22% the net profit has been developed in 2018 but it declines to 4.70% in the year 2018-2019 and in 2019-2020 it increased to 5.47% which is good for the company.
- The table presents the position of return on assets. In this ratio the total assets varied from 3,081.53 to 12,084.13. Total assets have been increased. In 2015-16 the ratio of return on asset was 10.31% and in 2016-17 the ROA fall to 8.31%, then gradually return on assets was increasing from 2017-18 to 2018-19 as 13.98% and 13.38%. After 2019, it decreased to 11.17% in the year 2019-2020.
- The funds financed by the proprietary in the total funds in the year 2015 -16 and 201617 were 49.06% and 66.14% then it has increased slightly in 2017-18 as 82.72% and in 2018-19 decreased as 79.95%. But in the year 2019-20 it increased to 92.14%.
- the total assets turnover ratio 278.27 times in the year 2015-16 and then decline to 204.77 times in the year 2016-17 and then increase to 267.42 times in the year 2017-18 and then increased to 284.61 times in the year 2018-2019 and then again decreased to 204.19 times in the year 2019-2020.
- Form the above table it is analyzed that the inventory turnover ratio in the year 201516 and 2016-17 was 12.99 and 12.73 times and it is increases in the year 2017-18 as 13.08 and in 2018-19 it decreases to 12.64 times and then the ratio is increasing in the year 2019-20 as 12.92 times.
- capital turnover ratio- In 2015-16, the ratio was 5.67 times, next year in 2016-17 it decreased to 3.09 times and in 2017-18 it increased to 3.23 times then in 2018-19 it increased to 3.56 times and in 2019-20 it decreased to 2.22 times, so it shows that the capital turnover ratio has growth and has healthy performance it has very good growth year by year. The capital turnover ratio has high level of performance in 2015-16 at 5.67 times and lowest level of growth in 2019-20 at 2.22 times.

9. SUGGESTIONS

- Shareholders fund of the company showed a good number which is highly favorable for the investor, this indicates that the company is more concern about reducing the liability.
- Total asset ratio of the company is good that indicates that the company is using its assets to the maximum utilization.
- Inventory ratio shows how much time the inventory is used to generate the net sale rather than pushing it to inventories, here the company inventories are sold quickly that is a good sign which indicates there is less dead stock with the company and they can easily turn into funds.
- Current ratio of the organization showed a good number, which means the asset the company owns is more than its liability. They should more concentrate on expanding its business on their own land.
- The quick ratio should be 1:1. The year 2017 and 2018 the ratio was good and after that there was a reduction in the year 2018-19 to 2019-2020 that shows there was less liquid assets compared to current liability. So, the company should take good necessary step to increase the liquid asset of the company.
- The study shows that the net profit of the company is weak, the healthy net profit should be 10 %, so the company should take precautions to increase the net profit.
- The return working capital was good in the previous years but due to corona pandemic the stores was not functional as before that resulted in the reduction of ROCE ratio in the year 2020.

10. CONCLUSIONS

After the financial analysis of Avenue Supermarts Ltd found that the company was more concern about the maximum utilization of assets and generating the profit and the ratios was good in number but weak at liquid assets that can be easily converted into cash, the company has to and entirely

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this company stock is a good choice for the value investor.

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