



**Vidhyayana - ISSN 2454-8596**

An International Multidisciplinary Peer-Reviewed E-Journal

[www.j.vidhyayanaejournal.org](http://www.j.vidhyayanaejournal.org)

Indexed in: ROAD & Google Scholar

---

## **A Comparative Financial Study with Support from a Few Indian Retail Businesses**

**Krishna Goti**

Research Scholar, Dept. of Commerce,  
Atmiya University, Rajkot

**Dr. Alpa Joshi**

Associate Professor, Dept. of Commerce,  
Atmiya University, Rajkot



## ABSTRACT

The fast-moving consumer goods (FMCG) industry is necessary to expand a nation's economy. In India's fast-moving consumer goods (FMCG) sector, there is a substantial presence of enterprises that manufacture and sell various consumer and durable products to the country's population. One of India's most successful fast-moving consumer goods (FMCG) firms is HUL, formerly known as Hindustan Unilever Ltd. or HLL. Hindustan Unilever Limited (HUL), which has a history spanning more than 80 years in India, is the country's largest fast-moving consumer products corporation and influences the lives of two out of every three Indians. HUL is also the owner of the brand Hindustan Unilever. We included V2 Retail, formerly known as Vishal Retail, Shoppers Stop, one of the most successful retailers of goods in the fashion and cosmetics industries, and Pantaloons Fashion & Retail, one of their most significant competitors. All of these companies were included in addition to HUL. This study examines the financial and accounting performance of the leading Indian IT enterprises from 2009 to 2013, and the time covered is from 2009 to 2013. The financial accounts and income statements of HUL, Vishal Retail, Shoppers Stop, and Pantaloons fashion & retail have been gathered from CMIE, Prowess, Money Control, and Yahoo Finance databases. The required data were collected from these financial statements and then summarized before they could be used to calculate the financial ratios that covered five years. Many financial parameters, including profitability, liquidity, solvency, assets turnover, and market-based ratios, are all graphically displayed for analysis and comparison.

**Keywords:** Financial analysis, financial ratio, FMCG, profitability, solvency and market-based ratio.



## 1 Introduction

The primary objective of financial management is wealth creation, which goes beyond figure crunching and financial statement representation. The ideal way to create wealth is to maximize business value over several years by optimizing resources. In other terms, it is the steady and sustained addition of new assets over time (growth). Considering them, it becomes clear that the development of wealth is a result of a succession of wise business decisions that are taken one after the other and come from an organized or scientific foundation. The possibility of the former is decreased by developing systematic and scientific justifications for choices, as risks prohibit any company from accomplishing its objectives (risks). The financial statement analysis is one of these organized and rational foundations for business choices in financial management.

The primary goals of performing a financial analysis are to diagnose the data included in the financial statements and to analyze the growth, profitability, and overall financial health of the industry or the firms. An accurate determination of an industry or firm's financial strengths and weaknesses may be made via financial analysis. This is accomplished by effectively establishing the relationship between the components of the balance sheet and the profit and loss account. It is possible to gain a better understanding of the company's financial condition, as well as its growth and performance, by employing several different methods to analyze the financial statements and evaluate the relationships between the various components of the financial statements.

A successful FMCG business is acknowledged and is evolving into a prerequisite for the economic growth of the modern economy. FMCG companies use extremely effective ways to distribute consumer and durable products to the public. These companies invest heavily in operations optimization activities to provide customers with the best service and products at the lowest possible prices without affecting their profit margins. As the sector's competition grows, efficiency is becoming an important component of this industry, especially in operational optimization. As a result, these businesses are put under financial strain since they cannot raise their pricing to produce a profit and reward investors. This thesis will compare



and evaluate four FMCG firms based on different criteria. Before rating them, a quick overview of all the firms covered in this study is necessary.

Some notable studies in this area include those of Boardman and Vining (1989), Commander, Fan and Schaffer (1996) and La Porta and Lopez-de-Silanes (1997). The historical approach compares the same enterprise's ex-ante and ex-post-privatization performance. Notable studies that followed this approach include those by Megginson, Nash and Randenborgh (1994), Earle and Estrin (1997), and Dewenter and Malatesta (1998). This was not the case in countries like Mexico, Chile, and Mozambique, where a few years after privatization, the institutions were experiencing financial problems which quickly spread into a systemic crisis (Dammert and Lasagabaster, 2002).

This is the sequence in which the document should be read. In this article, Section 2 provides a comprehensive description of the research conducted on the accounting and financial performance of the retail business based on previous literature. In section 3, we apply the research topic, objectives, and methodological approach in detail. At the end of Section 4, the analysis and the conclusions of all the financial ratios utilized to evaluate the retail sector's performance are provided.

## 1.1 Indian Retail Sector

### 1.1.1 Hindustan Unilever Limited (HUL)

With over 35 brands in 20 different categories, including soaps, detergents, shampoos, skincare, toothpaste, deodorants, and soaps, Hindustan Unilever Limited (HUL) is the largest fast-moving consumer goods company in India and has a history dating back over 80 years. HUL touches the lives of two out of every three Indians and strives to improve the future daily. Leading household brands, including Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's, and Pureit, are among the companies in its portfolio. The business employs more than 16,000 people and earns INR 27408 crores in revenue yearly (2013-2014). HUL is a division of Unilever, which has strong local roots in more than 100 nations worldwide, with annual revenues of €49.8 billion



in 2013. Unilever is one of the world's top providers of fast-moving consumer products. Unilever owns 67.25% of the shares of HUL.

### 1.1.2 V2 Retail

One of India's retail organizations with the quickest growth in V2 Retail Limited, formerly known as Vishal Retail Ltd. The firm has a variety of goods available, both clothing-related and not. The business sells ready-made things, clothing, household goods, and other consumer goods such as footwear, toys, games, handbags, fragrance, cosmetics, home furnishings, décor items, sporting goods, pottery, novelty items, and presents. VRL Movers Ltd, VRL Infrastructure Ltd, and VRL Retail Ventures Ltd are a few of the company's subsidiaries. Family-friendly clothing is available at V2 Retail Ltd. at cost-effective pricing. The stores provide products at practically every price level. The stores' selection of more than 70,000 goods covers all home necessities. The customer receives cost savings from the substantial central purchasing of products and services. We operate 8 stores under the name "V2 Value & Variety" in different parts of India, with one warehouse located in Delhi.

### 1.1.3 Shoppers Stop

Shoppers Stop is an Indian department store chain that the K Raheja Corp supports. Group (Chandru L Raheja Group). It opened its first location in Andheri, Mumbai, in 1991. On April 10, 2008, the World Retail Congress in Barcelona presented Shoppers Stop Ltd. with "the Hall of Fame" award and the "Emerging Market Retailer of the Year Award." Shoppers Stop is a Bombay Stock Exchange-listed company (BSE). Customers may purchase goods from domestic and foreign brands including Louis Philippe, Pepe, Arrow, BIBA, Gini & Jony, Carbon, Corelle, Magppie, Nike, Reebok, LEGO, and Mattel at Shoppers Stop, which has 61 locations in India as of 2013. Shoppers Stop conducts retail sales under its brands, including STOP, Kashish, LIFE, VettorioFratini, EllizaDonatein, Acropolis, and others. The business also holds a license for the international brand Austin Reed (London), whose outerwear for both men and women is sold only through the chain in India. Shoppers Stop purchased the rights to sell Zoo-zoo, the brand mascot for Vodafone India, in October 2009.



## 1.1.4 Pantaloon Fashion & Retail:

Pantaloon is a leading force in contemporary fashion and innovation. It was only recently acquired by "The Aditya Birla Group," which is recognized as one of India's most successful multinational corporations. Pantaloon caters to the sophisticated and stylish needs of the Indian customer while simultaneously working its retail magic across various lifestyle categories. Pantaloon clothes are known for their unparalleled "freshness" and signature comfort and elegance. Accessories and unusual perfumes are also available, in addition to a wide selection of ready-to-wear western and Indian clothing for men, women, and children. Pantaloon, which offers over one hundred well-known brands and a strong national presence in over eighty-five premium locations, always has something fresh and exciting for its customers.

## 2 Literature Review

Some notable studies in this area include those of Boardman and Vining (1989), Commander, Fan and Schaffer (1996) and La Porta and Lopez-de-Silanes (1997). *The historical method compares the firm's ex-ante and ex-post-privatization performance*. Notable studies that followed this approach include those by Megginson, Nash and Randenborgh (1994), Earle and Estrin (1997), and Dewenter and Malatesta (1998). Beginning with Beaver's (1966) contention that standard financial ratios can predict firms' financial performance, many subsequent studies have attempted to demonstrate the predictive value of various techniques for estimating actual business performance.

Foster (1986) reviewed the literature describing methods and theories for evaluating and predicting financial performance and reveals that although methods have become increasingly complex, few researchers adequately address the problems associated with the sample used. For instance, most research on ratio analysis employs multivariate analysis, predicated on the notion that financial ratios have a normal distribution. The researcher risks making false conclusions if the ratio distribution's closeness to normalcy is not verified. When looking at the distribution of financial ratios in any database, the normality of the distribution can be distorted if there are data recording mistakes, negative denominators, or denominators close to zero. This



can happen regardless of the size of the database.

Malhorta and McLeod (1994) argued that the only way to assess future financial performance is by including subjective measures.

Lasher (2005) debt ratios show how effectively the organization uses other people's money and whether it uses a lot of borrowed money. Ross *et al.* (2007) expressed most researchers divide the financial ratios into four groups, i.e., profitability, solvency, liquidity and activity ratios. Lerman (2003) the benefits of financial ratios analysis: Financial ratios are an important and well-established technique of financial analysis. The following are the benefits of financial ratios analysis. Brigham and Ehrhardt (2010) stated that "financial ratios are designed to help evaluate financial statements." Financial ratios are employed as a tool for planning and management. Analysis of financial ratios is used to assess an organization's performance.

### 3 Research Methodology

#### 3.1 Research Problem

In this study, the financial performance of four fast-moving consumer goods (FMCG) companies considered to be among the most successful companies in the sector was measured, evaluated, and compared. Secondary data from annual reports of relevant companies, periodicals, journals, documents, websites with financial data, and other published sources were used to support the study's findings. The research was conducted over four years, from 2009–2010 to 2012–2013. Ratio analysis was utilized to investigate and contrast trends in the banking business and financial performance. After that, a graphical inference is carried out to decide which FMCG company would be the most profitable investment.

#### 3.2 Objective of Study

The term "financial statement analysis" refers to a set of tools and procedures that are intended to provide decision-makers with data that is relevant to the situation. An evaluation of a company's performance and financial health state requires conducting such an analysis. The primary objective of financial reporting is to provide current and potential investors, creditors,



and other stakeholders with the information they need to make informed decisions regarding investment, credit, and other matters. The following are some additional objectives of these studies:

- a) Standardize financial data so that it may be compared.
- b) Assessing current operations
- c) Assess performance in comparison to prior results.
- d) Evaluate performance in comparison to similar companies or industry norms.
- e) Examine how effective operations are.
- f) Research the operation's risk.

There are some benefits of financial analysis, similar to its objective in analyzing financial statements, including:

- a) Perform a quick and easy financial health check.
- b) A few ratios paint a clear picture of the business.
- c) Offer a starting point for additional research.
- d) Assists investors in making investments. similar to: FIIs or DIIs.
- e) Assists other financial institutions like banks or mutual funds.

### 3.3 Limitation of Study

The study will probably have certain limitations due to time and resource limits. To put the study's findings into the correct context, some of these are listed below. The study's shortcomings are as follows:

- Because the study relies on secondary data, its limitations may impact the findings.





- The secondary data came from websites with financial data and the firms' annual reports. It's conceivable that the information provided in annual reports or on websites is only window dressing and does not accurately reflect the state of the institutions.
- Although formulas are frequently employed to determine ratios, they are not generally acknowledged. Therefore comparisons of these ratios with others are not possible.

### 3.4 Introduction to Financial Ratios

The study's goals must be defined before examining any company's financial accounts. Depending on the viewpoint of the user of the financial statements and the particular problems that are addressed by the analysis of the financial statement data, the objectives will change, according to Fraser and Ormiston (2004).

The perspectives of the creditor, the investor, and the management are only a few of the many that may be considered. Inquiries would need to be made with each of these different stakeholders. Creditors are frequently concerned about the ability of present or future borrowers to make interest and principal payments on money that has been borrowed from them. An investor will frequently attempt to predict a company's future income stream to determine how much value to ascribe to the shares being considered for acquisition or liquidation. In conclusion, management's viewpoint on examining financial statements is linked to all of the questions given by creditors and investors because the needs of these user groups must be met for the firm to obtain the necessary cash.

According to Brigham and Houston (2009), financial analysis involves comparing the firm's performance to that of other firms in the same industry and evaluating trends in the firm's financial position over time. Audited financial statements are one excellent source of data for financial statement analysis. Financial statements are typically included in the annual reports that publicly traded companies must submit to regulatory bodies such as the Securities and Exchange Commission and entities affiliated with stock exchanges.



### 3.5 Key Financial Ratios

In financial statement analysis, ratios fall into five categories.

- a) Liquidity ratios gauge a company's capacity to respond to sudden financial demands.
- b) Activity ratios assess the effectiveness of asset management and the liquidity of certain assets.
- c) Leverage ratios assess a company's capacity to pay interest and other fixed costs and the proportion of debt financing it receives compared to equity.
- d) Profitability ratios gauge a company's total performance and how well it manages its equity, liabilities, and assets.
- e) Market value ratios factor in the stock price and provide insight into how investors feel about the company and its prospects for the future.

### 3.6 Liquidity Ratio

#### Current ratio

The ability of the company to pay off its financial obligations as they become due is measured by the current ratio, which is a frequently used metric. Because current liabilities are thought to represent the most pressing obligations, needing to be repaid within one year or one operational cycle, they are utilized as the denominator of the ratio. Cash on hand or the ability to quickly convert other current assets into cash must be the primary source of the available financial resources to fulfill these commitments. The ideal ratio is two to one. The following is the formula for the current ratio:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad (1.1)$$

#### Quick ratio or acid test ratio

The quick ratio is a measure of a company's liquidity in the short term. It evaluates the



company's position and short-term (current) liquidity. To perform the analysis, the company's current assets are compared to its current liabilities, yielding a ratio that shows how liquid the company is. The formula for calculating the ideal ratio, 1:1, is as follows:

$$\text{Quick ratio} = \frac{\text{current assets} - (\text{cash and equivalents} + \text{marketable securities} + \text{accounts receivable})}{\text{current liabilities}} \quad (1.2)$$

### 3.7 Profitability Ratio

#### Profit margin

A profitability ratio is determined by dividing profit after tax by net sales. The profit margin is a highly helpful metric when comparing businesses in related industries. A more lucrative business with greater cost management than its rivals is one with a bigger profit margin. It is determined by:

$$\text{Profit margin} = \frac{\text{Profit after tax}}{\text{Net sales}} \quad (1.3)$$

#### Net profit margin

The percentage of a company's sales converted into profits can be measured in several ways, but they all boil down to the net profit margin. The operating profit margin is a measure of how well a firm is run overall and takes into account all costs that are associated with its everyday operations. The net profit margin measures profitability after all income and costs have been included, including interest, taxes, and factors that are not directly related to operating the business. It is dependent on the following:

$$\text{Net Income or Net Profit} / \text{Net Sales} \quad (1.4)$$

#### Return on shareholder's equity (RONW)

A share of net income returned to shareholders is expressed as a percentage of total shareholder equity. The difference between a company's earnings and the total shareholder equity reported on the balance sheet is shown in the income statement.



$$RONW = \text{Net Income} / \text{Shareholder's Equity} \quad (1.5)$$

## Return on assets

The return on average assets is a metric used to determine how profitable a company's assets are. This metric demonstrates how efficiently a company can make use of the resources that it has available to it. Businesses, banks, and other financial organizations use it as a performance evaluation tool. The return on asset calculation is as follows:

$$\text{Net Income} / \text{Avg. total assets} \quad (1.6)$$

## 3.8 Market-based Ratios

### Earning per share.

After taking into account taxes and dividends on preferred stock, it is the portion of a firm's earnings that is allocated to each share of common stock in the company. It is possible to calculate it by dividing the net income achieved during a certain reporting period (often quarterly or annually) by the total number of outstanding shares during that same term. Because the number of shares in circulation might shift at any time, a weighted average is frequently used. It is dependent on the following:

$$EPS = \text{Earning available} / \text{No. of share issued to shareholders} \quad (1.7)$$

### Price-earnings ratio

a ratio used in the process of valuing a company that compares the current share price of the company to its profits per share. It is dependent on the following:

$$P/E \text{ Ratio} = \text{Market price per share} / EPS \quad (1.8)$$

## 3.9 Solvency Ratio

### Inventory turnover ratio

It is the process of keeping track of the number of times an organization's inventory investment



is turned over during a given year. When the turnover ratio is high, a company can maintain the same level of sales with a smaller inventory than it would with a low turnover rate. This means that a company with a high turnover needs less inventory than one with a low turnover rate but still produces the same amount of sales. After that, the "inventory turnover days," also known as the number of days needed to sell the inventory that is currently on hand, can be determined by dividing the total number of days in the period by the formula for inventory turnover. It is dependent on the following:

$$\text{Inventory turnover ratio} = \text{Cost of goods sold} / \text{Average inventory} \quad (1.9)$$

### Debtor turnover ratio

It shows how frequently an average debtor is replaced per year. The accounts receivable turnover ratio is another name for this ratio. It shows the cash conversion rate for the various creditors and the times each debtor is switched over annually. It is a trustworthy indicator of accounts receivable from credit sales. It is determined by:

$$\text{Debtor turnover ratio} = \text{Credit sales} / \text{Average debtors} \quad (1.10)$$

### Working capital turnover.

Working capital turnover is a metric that measures how much working capital is used in relation to how much revenue is produced over a specific period. This offers helpful data regarding how efficiently a business uses its working capital to generate sales. It is determined by:

$$\text{Working capital turnover} = \text{Sales} / \text{Working capital} \quad (1.11)$$

### Total asset turnover

Because it is the only metric that considers the company's investment in property, plant, and equipment, the total assets turnover is an extremely important metric for a company that relies heavily on capital. The turnover of an organization's total assets is one metric that can be used to evaluate how effectively the management of its entire asset base is being carried out. It is dependent on the following:



$$\text{Total asset turnover} = \text{Net sales} / \text{Total assets} \quad (1.12)$$

### 3.10 Leverage Ratios

#### Debt to equity

The level of a company's financial leverage can be calculated by taking its total liabilities and dividing that number by its stockholders' equity. It reveals the proportion of the company's assets that are being funded by equity compared to that which is being funded by debt. It is dependent on the following:

$$\text{Debt to equity} = \text{Long term debt or liabilities} / \text{Total equity} \quad (1.13)$$

#### Interest coverage ratio

A measurement of a company's ability to make interest payments on its outstanding debt that is expressed as a ratio. The interest coverage ratio of a company can be calculated by dividing its earnings before interest and taxes (EBIT) from a given period by the interest expenses incurred during that period. The interest coverage ratio is determined by:

$$\text{Interest coverage ratio} = \text{EBIT} / \text{Interest expenses} \quad (1.14)$$

### 3.11 DuPont Analysis

In the 1920s, the DuPont Corporation became the first company to develop a performance measurement system. This approach determines an asset's value based on its gross book value rather than its net value. The goal of this approach is to produce a higher return on equity. The return on equity increases as the outcome does. The DuPont Analysis is crucial for identifying factors influencing a company's ROE. Asset turnover, profit margin, and leverage factor all display various aspects of operational efficiency. Asset turnover also displays how effectively assets are used. With the aid of a DuPont analysis, analysts can quickly identify a company's strengths and weaknesses and determine which areas of the business to focus on (such as margins, debt structure, and inventory management) to find out more information.



The DuPont system helps the analyst see how the firm's decisions and activities throughout an accounting period interact to produce an overall return to the firm's shareholders, the return on equity (Fraser &Ormiston, 2004). Moreover, according to Brigham and Houston (2009), it is a formula that shows that the rate of return on equity can be found as the product of profit margin, total assets turnover, and equity multiplier. It displays the connections between activity, leverage, and profitability ratios. It is determined by:

$$\text{DuPont analysis} = \text{Profit after tax} / \text{Total assets} \quad (1.15)$$

### 3.12 Descriptive Statistics

Table 1 explains the outcomes of many financial ratios HUL utilized between 2009 and 2013. It includes the liquidity ratio, which is also known as the current ratio and the acid test ratio; the profitability ratio, which is also known as the return on assets (ROA); the return on net worth (RONW), and the return on capital employed (ROCE), the earning per share (EPS), the price earning ratio (P/E), the net profit margin, and the profit margin, the activity ratio, which is also known as the inventory turnover ratio, the debtor turnover ratio, and the working capital turnover ratio, along with the profitability In this article, the financial performance of the firm is evaluated with a ratio known as the leverage ratio. This ratio considers the debt-to-equity ratio, the interest coverage ratio, the shareholder-equity ratio, the return on total assets, and the DuPont analysis.

**Table 1:** Financial ratio of Hindustan Unilever Limited (HUL)

<b>Consolidated Key Financial Ratios of Hindustan Unilever Limited</b>					
----- in Rs. Cr. -----					
<b>Profitability Ratios</b>	<b>Mar '13</b>	<b>Mar '12</b>	<b>Mar '11</b>	<b>Mar '10</b>	<b>Mar '09</b>
Operating Profit Margin (%)	15.18	14.4	13.04	15.33	14.41



Profit Before Interest And Tax Margin (%)	13.91	13.18	11.67	14.14	13.3
Gross Profit Margin (%)	14.25	13.4	11.89	14.26	13.45
Cash Profit Margin (%)	12.65	12.32	11.41	12.39	12.39
Adjusted Cash Margin (%)	12.6	11.91	11.74	12.39	12.39
Net Profit Margin (%)	13.9	11.83	11.32	11.92	11.93
Adjusted Net Profit Margin (%)	13.9	11.77	11.32	11.92	11.93
Return On Capital Employed (%)	155.25	95.34	100.07	101.36	117.32
Return On Net Worth (%)	133.65	75.81	83.95	80.82	117.2
Return on Assets Excluding Revaluations	13.25	17.03	12.54	12.23	9.8
Return on Assets Including Revaluations	13.25	17.03	12.55	12.23	9.81
Return on Long Term Funds (%)	156.59	92.65	101.26	101.77	141.14
<b>Liquidity And Solvency Ratios</b>					
Current Ratio	0.78	0.86	0.87	0.85	0.93
Quick Ratio	0.47	0.47	0.44	0.47	0.52
Debt Equity Ratio	0.01	--	--	--	0.2
Long Term Debt Equity Ratio	--	--	--	--	--





<b>Debt Coverage Ratios</b>					
Interest Cover	174.42	2,127.05	2,710.00	363.55	114.05
Total Debt to Owners Fund	--	--	0	0	0.2
Financial Charges Coverage Ratio	184.19	2,206.72	2,942.89	389.25	121.61
<b>Management Efficiency Ratios</b>					
Inventory Turnover Ratio	9.93	8.74	6.92	8.97	9.27
Debtors Turnover Ratio	29.01	25.62	24.12	28.74	40.62
Investments Turnover Ratio	9.98	10.02	7.81	8.97	9.27
Fixed Assets Turnover Ratio	6.52	6.15	5.54	5.31	7.74
Total Assets Turnover Ratio	9.35	6.35	7.34	6.94	8.42
Asset Turnover Ratio	8.21	7.35	7.41	5.31	7.74

The results of many financial ratios utilized by VISHAL RETAIL during the years 2009 and 2013 are presented in Table 2. It includes the liquidity ratio, which is also known as the current ratio and the acid test ratio; the profitability ratio, which is also known as the return on assets (ROA), the return on net worth (RONW); and the return on capital employed (ROCE), the earning per share (EPS), the price earnings ratio (P/E), the net profit margin, and the profit margin, the activity ratio, which is also known as the inventory turnover ratio, the debtor turnover ratio, and the working capital turnover ratio, along with the profitability.



**Table 2:** Financial ratio of Vishal Retail.

<b>Consolidated Key Financial Ratios of Vishal Retail</b>					
----- in Rs. Cr. -----					
<b>Profitability Ratios</b>	<b>Mar '13</b>	<b>Mar '12</b>	<b>Mar '11</b>	<b>Mar '10</b>	<b>Mar '09</b>
Operating Profit Margin (%)	0.7	-28.65	-4.7	-41.33	0.01
Profit Before Interest and Tax Margin (%)	-1.41	-31.96	-7.68	-45.01	-3.46
Gross Profit Margin (%)	-1.44	-34.77	-7.75	-45.54	-3.48
Cash Profit Margin (%)	-1.66	-69.6	-2.71	-28.37	-3.05
Adjusted Cash Margin (%)	-1.66	-69.6	-2.71	-28.37	-3.05
Net Profit Margin (%)	-4.89	-75.35	-5.72	-37.13	-6.73
Adjusted Net Profit Margin (%)	-4.89	-75.35	-5.72	-37.13	-6.73
Return On Capital Employed (%)	0.18	-3.77	-24.62	-91.93	-4.21
Return On Net Worth (%)	-1.95	-12.67	-21.29	177.67	-53.69
Adjusted Return on Net Worth (%)	-1.5	-12.65	-21.29	--	-52.05
Return on Assets Excluding Revaluations	120.33	122.65	136.74	-104.36	78.56
Return on Assets Including Revaluations	120.33	122.65	136.74	-104.36	78.56
Return on Long Term Funds (%)	0.18	-3.77	-24.7	-1,300.69	-8.26



<b>Liquidity And Solvency Ratios</b>					
Current Ratio	4.89	6	5.47	0.55	0.96
Quick Ratio	0.15	0.35	0.8	0.3	0.68
Debt Equity Ratio	0.12	0.06	0.02	--	4.24
Long Term Debt Equity Ratio	0.12	0.06	0.02	--	1.67
<b>Debt Coverage Ratios</b>					
Interest Cover	0.09	-1.35	-7.6	-5.48	-0.42
Total Debt to Owners Fund	0.12	0.06	0.02	--	4.24
Financial Charges Coverage Ratio	0.44	-1.03	-4.21	-4.86	0.1
<b>Management Efficiency Ratios</b>					
Inventory Turnover Ratio	2.36	2.65	--	5.03	2.09
Debtors Turnover Ratio	337.3	139.55	752.33	383.06	487.77
Investments Turnover Ratio	2.36	2.65	--	5.03	2.09
Fixed Assets Turnover Ratio	9.99	5.82	94.91	3.08	3.78
Total Assets Turnover Ratio	0.35	0.15	3.61	2.09	1.51
Asset Turnover Ratio	0.36	0.14	2.67	3.08	3.78

Table 3 presents the results of various financial ratios for Shoppers Stop from 2009 through 2013. It includes the liquidity ratio, which is also known as the current ratio and the acid test ratio; the profitability ratio, which is also known as the return on assets (ROA); the return on net worth (RONW); and the return on capital employed (ROCE), the earning per share (EPS),



the price earning ratio (P/E), the net profit margin, and the profit margin, the activity ratio, which is also known as the inventory turnover ratio, the debtor turnover ratio, and the working capital turnover ratio, along with the profitability. The financial performance of the company is evaluated in this article with the help of the leverage ratio, which takes into account the debt to equity ratio, the interest coverage ratio, the shareholder equity ratio, the return on total assets, and, finally, the DuPont analysis.

**Table 3:** Financial ratio of Shoppers Stop.

<b>Consolidated Key Financial Ratios of Shoppers Stop</b>					
----- in Rs. Cr. -----					
<b>Profitability Ratios</b>	<b>Mar '13</b>	<b>Mar '12</b>	<b>Mar '11</b>	<b>Mar '10</b>	<b>Mar '09</b>
Operating Profit Margin (%)	3.47	2.96	3.65	5.8	16.22
Profit Before Interest And Tax Margin (%)	0.87	0.47	1.46	3.63	13.62
Gross Profit Margin (%)	0.87	0.47	1.47	3.64	13.71
Cash Profit Margin (%)	1.28	0.8	1.3	3.01	4.86
Adjusted Cash Margin (%)	1.28	0.71	1.23	2.8	4.86
Net Profit Margin (%)	-0.21	-0.33	0.64	1.82	2.35
Adjusted Net Profit Margin (%)	-0.21	-0.35	0.68	1.98	2.35
Return On Capital Employed (%)	4.01	2.46	5.55	12.13	45.48
Return On Net Worth (%)	-1.68	-2.25	3.68	8.62	14.33
Adjusted Return on Net Worth (%)	-10.1	-11	-4.73	3.84	14.4
Return on Assets Excluding Revaluations	58.9	60.37	62.5	60.96	71.74



Return on Assets Including Revaluations	58.9	60.37	62.5	60.96	71.74
Return on Long-Term Funds (%)	5.1	3.58	5.55	50.91	62.81
<b>Liquidity And Solvency Ratios</b>					
Current Ratio	0.75	0.68	1.31	0.7	0.81
Quick Ratio	0.58	0.7	0.65	0.64	0.78
Debt Equity Ratio	1.11	0.94	0.74	0.43	0.79
Long-Term Debt Equity Ratio	0.66	0.33	0.18	0.07	0.47
<b>Debt Coverage Ratios</b>					
Interest Cover	0.63	0.44	1.18	2.95	10.19
Total Debt to Owners Fund	1.11	0.94	0.74	0.5	0.79
Financial Charges Coverage Ratio	2.14	1.88	2.63	1.58	1.6
<b>Management Efficiency Ratios</b>					
Inventory Turnover Ratio	8.39	8.59	8.41	8.67	10.11
Debtors Turnover Ratio	94	109.5	118	133.7	133.8
Investments Turnover Ratio	8.39	9.08	8.92	9.62	10.11
Fixed Assets Turnover Ratio	3.49	3.43	3.23	3.14	3.52
Total Assets Turnover Ratio	4.19	3.71	3.54	3.58	3.97
Asset Turnover Ratio	3.75	3.58	3.61	4.02	3.52

Table 4 provides information on the outcomes of different financial ratios utilized by Pantaloons Fashion & Retail from 2009 to 2013. It includes the liquidity ratio, which is also



known as the current ratio and the acid test ratio; the profitability ratio, which is also known as the return on assets (ROA); the return on net worth (RONW), and the return on capital employed (ROCE), the earning per share (EPS), the price earning ratio (P/E), the net profit margin, and the profit margin, the activity ratio, which is also known as the inventory turnover ratio, the debtor turnover ratio, and the working capital turnover ratio, along with the profitability.

**Table 4:** Financial ratios of Pantaloons Fashion & Retail.

<b>Consolidated Key Financial Ratios of Pantaloons fashion &amp; retail</b>				
----- in Rs. Cr. -----				
<b>Profitability Ratios</b>	<b>Mar '13</b>	<b>Mar '12</b>	<b>Mar '11</b>	<b>Mar '10</b>
Operating Profit Margin (%)	2	5.14	2.52	--
Profit Before Interest and Tax Margin (%)	-4.53	0.86	2.33	--
Gross Profit Margin (%)	-4.55	0.9	2.52	--
Cash Profit Margin (%)	-4.72	-1.07	6.48	--
Adjusted Cash Margin (%)	-4.72	-1.07	6.48	0.07
Net Profit Margin (%)	-11.26	-5.1	6.48	0.07
Adjusted Net Profit Margin (%)	-11.26	-5.1	6.48	--
Return On Capital Employed (%)	-4.41	3.32	151.23	--
Return On Net Worth (%)	-32.42	89.12	174.28	--
Adjusted Return on Net Worth (%)	-32.42	--	174.28	--
Return on Assets Excluding Revaluations	62.39	-1,546.00	14	-7.6



Return on Assets Including Revaluations	62.39	-1,546.00	14	-7.6
Return on Long-Term Funds (%)	-4.42	18.35	151.23	30.76
<b>Liquidity And Solvency Ratios</b>				
Current Ratio	0.88	0.26	1.34	0.89
Quick Ratio	0.23	0.17	1.27	0.77
Debt Equity Ratio	1.75	--	0.73	--
Long-Term Debt Equity Ratio	1.75	--	0.73	--
<b>Debt Coverage Ratios</b>				
Interest Cover	-0.6	0.52	45.75	--
Total Debt to Owners Fund	1.75	--	0.73	--
Financial Charges Coverage Ratio	0.33	0.9	45.75	--
<b>Management Efficiency Ratios</b>				
Inventory Turnover Ratio	4.64	3.96	87.15	--
Debtors Turnover Ratio	138.55	293.08	14.41	--
Investments Turnover Ratio	4.64	3.96	87.15	63.9
Fixed Assets Turnover Ratio	3.75	1.82	--	--
Total Assets Turnover Ratio	4.1	1.18	--	--
Asset Turnover Ratio	0.86	1.14	--	--

## 4 Results and Learning Insights

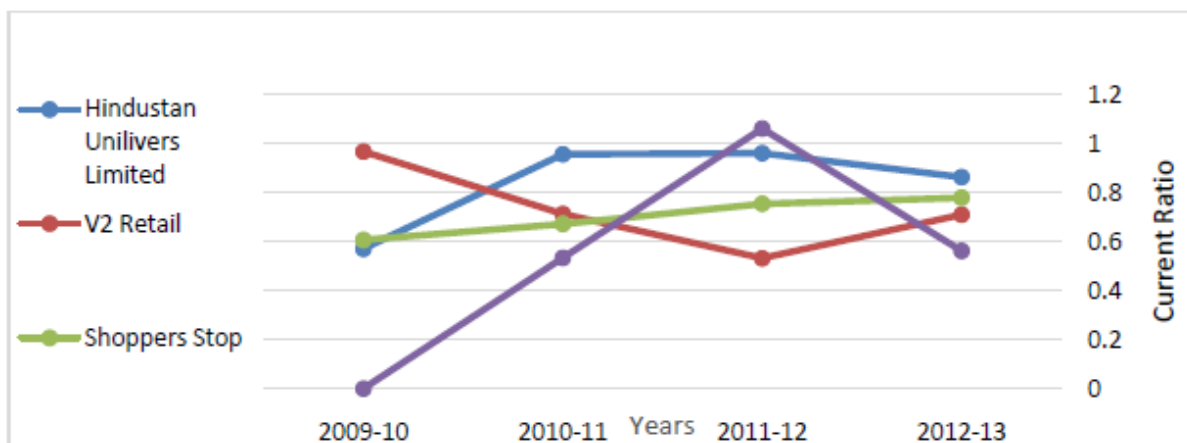
The five categories of financial ratios are used to organize this section of the research paper.

Additionally, each category's specific ratios are presented and discussed. The DuPont equation was also presented and discussed at the end of this section.

## 4.1 Liquidity Ratios

### 4.1.1 Current ratio: analysis and insights

This ratio illustrates the current assets capable of paying off the current liabilities at the time the balance sheet was created. The company should maintain a healthy cushion of current assets over current liabilities to demonstrate that it can pay its obligations as they come due. Graph 3 depicts the distribution of the current ratio over four years, as measured by this interval. Given that none of the other companies has a current ratio of 2:1, considered the ideal ratio for a company's current ratio, HUL has the highest current ratio. However, it is impossible to directly compare these four businesses. From the perspective of the shareholders, any firm is preferable to Pantaloons Fashion & Retail because of its erratic behavior throughout time.



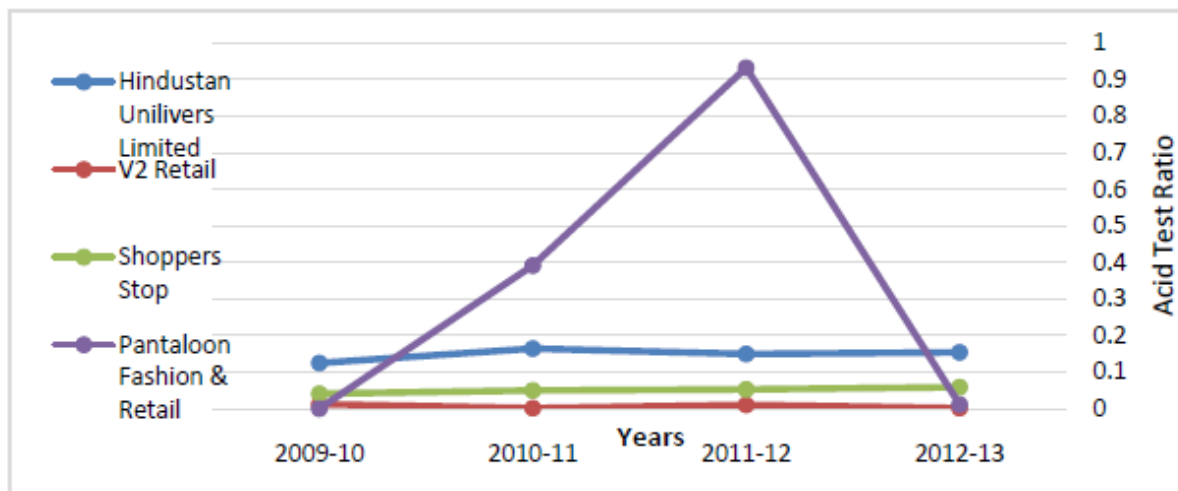
**Graph 1** Comparative analysis of Current ratio of selected companies

### 4.1.2 Quick ratio: analysis and insights

Quick or acid-test ratio, used in addition to the current ratio, aims to demonstrate how liquid current assets are relative to liabilities that are due more quickly. The results about current assets are not materially altered because only inventories are not taken into account. The



distribution of the Quick ratio during four years is shown in Graph 2. Pantaloon Fashion and Retail, in contrast to HUL, V2 retail, and Shoppers Stop, was unable to maintain growth and experienced a decline during the fiscal year 2012–2013. As a result, the company cannot be recommended to shareholders compared to the other companies.

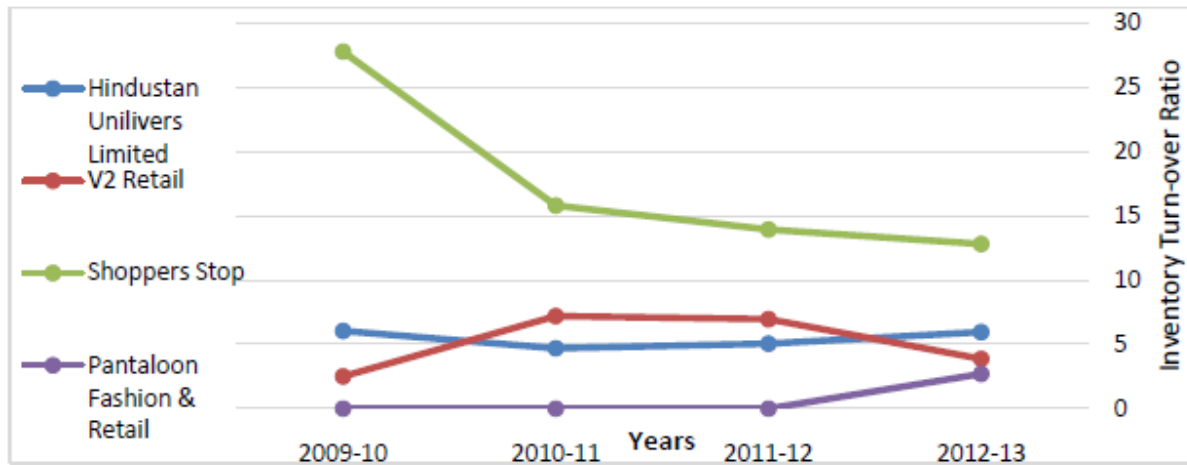


**Graph 2:** Comparative analysis of Acid test ratio of selected companies

## 4.2 Activity Ratio

### 4.2.1 Inventory turnover ratio

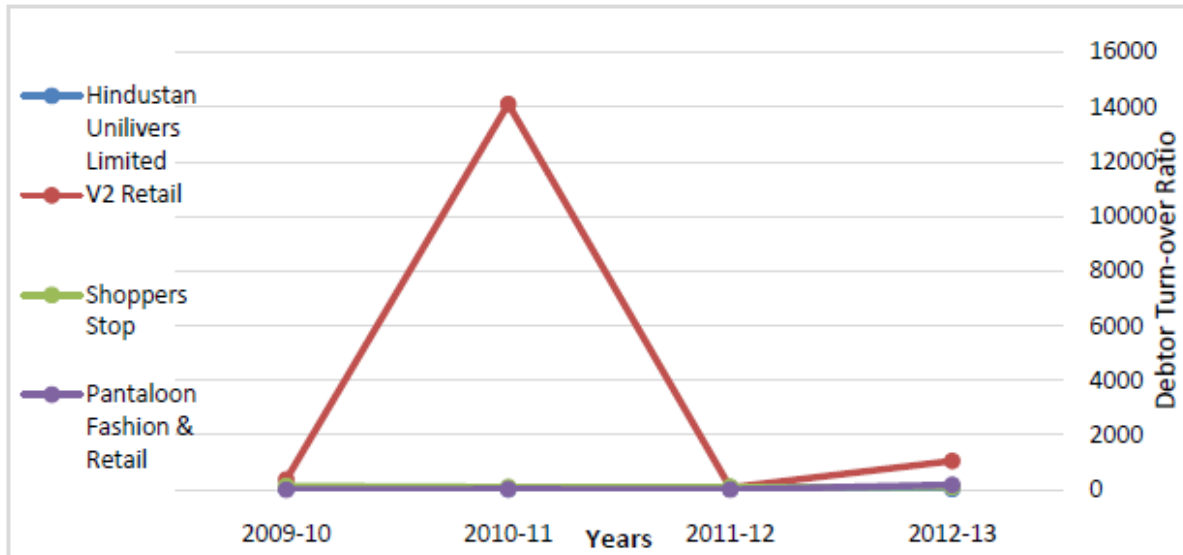
A ratio that illustrates the rate at which a company's inventory is sold and replenished over time. After then, the "inventory turnover days," also known as the number of days needed to sell the inventory that is currently on hand, may be computed by dividing the total number of days in the period by the formula for inventory turnover. The distribution of the inventory turnover ratio during a four-year interval is shown in Graph 3. The strongest inventory turnover ratio belongs to Shoppers Stop, although it has declined over time. In contrast, the inventory turnover ratios of the other two firms were essentially steady. The rising competitiveness in the FMCG industry is also depicted in this graph due to the widely dispersed nature of sales.



**Graph 3:** Comparative analysis of Inventory turn-over ratio of selected companies

#### 4.2.2 Debtor turnover ratio: analysis and insights

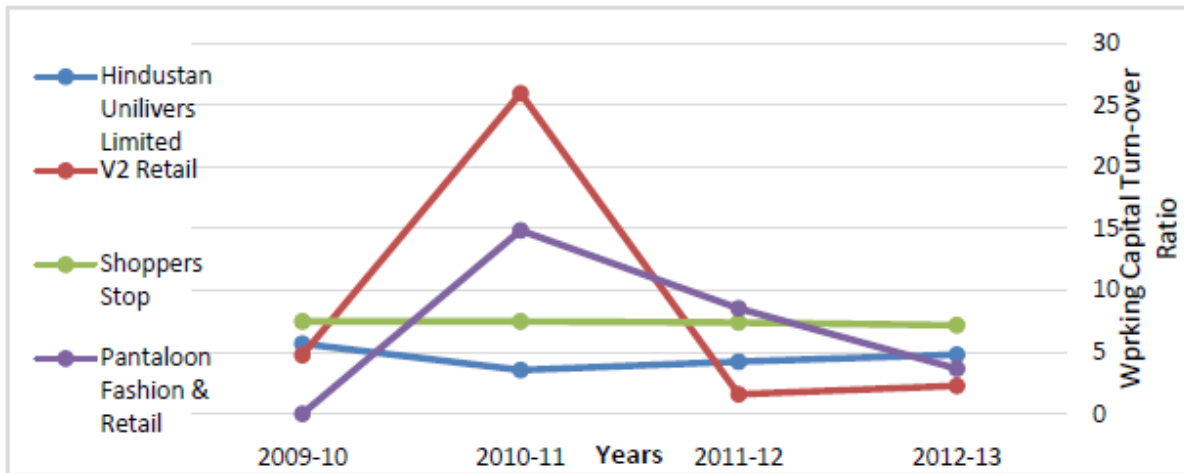
The debtor turnover ratio is a useful metric for gaining insight into a company's ability to collect money owed to it by customers and into the liquidity of its accounts receivable. As seen from the graph, it is to one's advantage to have a lower debtor turnover ratio. Graph 4 depicts the distribution of the debtor turnover ratio over four years and shows how it changed over time. Except for V2 Retail, all the other companies, according to the graph above, have roughly the same capacity for debt recovery and credit sales. V2 Retail's performance has shown some instability in its early stages of growth, which may be because it is a new company.



**Graph 4:** Comparative analysis of debtor turn-over ratio of selected companies

#### 4.2.3 Working capital ratio: analysis and insights

The working capital ratio has been used to determine ongoing or daily financial operations. Using this ratio, one may quickly determine the necessary quantity and the available dollars. The working capital turnover ratio distribution over a four-year interval is seen in Graph 5. The graph above demonstrates that V2 Retail originally had strong financial health but could not sustain it. This may be explained by the fact that V2 is a young, expanding firm. Thus it is impossible to always have high financial health. And the worth of other enterprises is essentially constant.

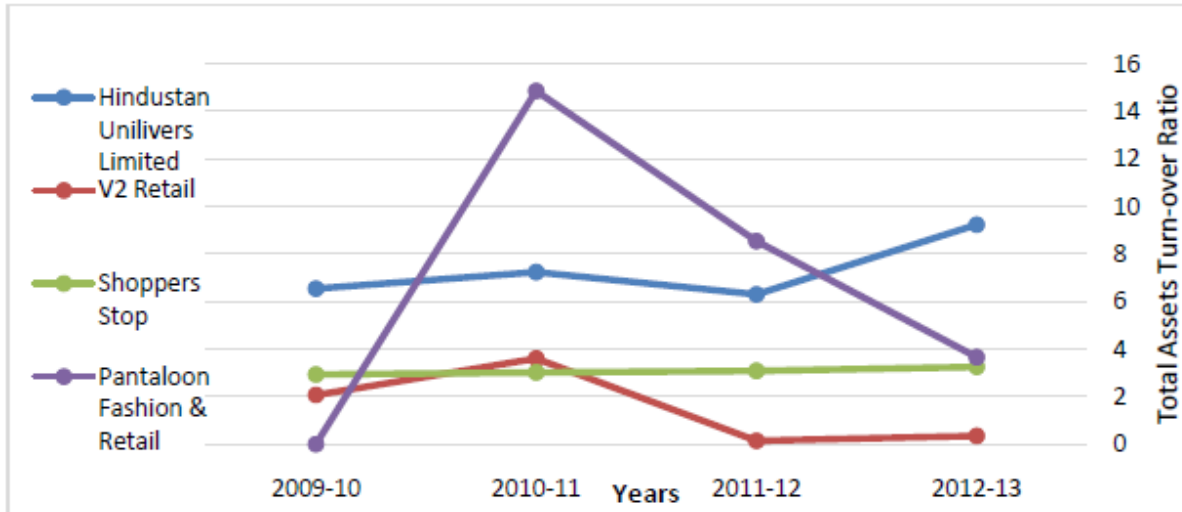


**Graph 5:** Comparative analysis of the working capital-turn-over ratio of selected companies

### 4.3 Assets Turnover Ratio

#### 4.3.1 Total assets turnover: analysis and insights

The higher this ratio is, in general terms, the more effective it is. To put it another way, this ratio illustrates the efficiency with which total assets are utilized to generate income. In the same vein as the previous financial ratio, it ought to be at least 0.30 times for it to be effective. Graph 6 depicts the distribution of the total assets turnover ratio over four years and shows how it changed over time. The graph demonstrates that HUL efficiently converts assets into sales, while all other companies have demonstrated a decline in this capacity. The basis for this conclusion is the total assets turnover ratio, which shows that HUL has a higher ratio than the other companies. As a consequence, HUL can be compared favorably to other companies in its industry.

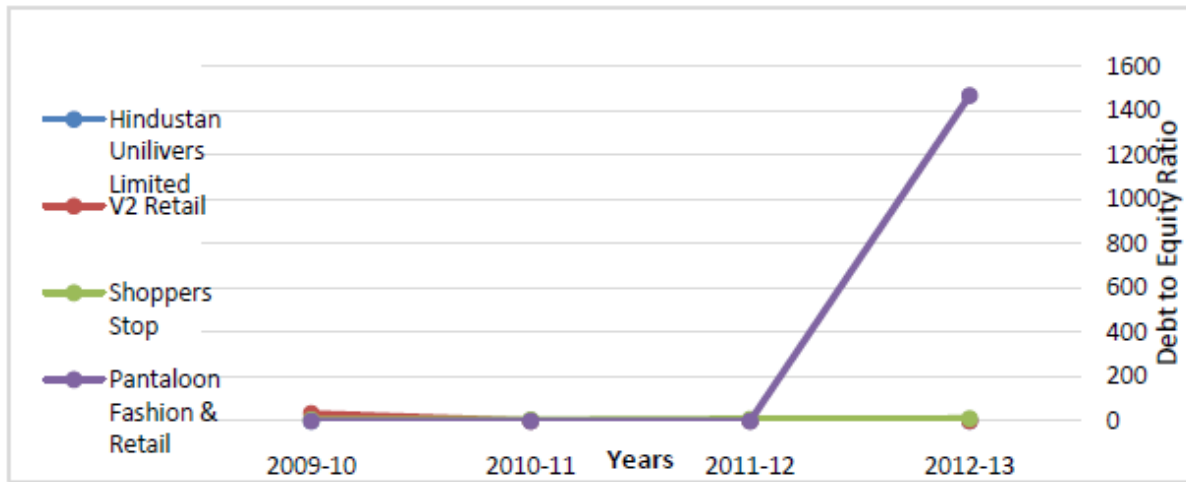


**Graph 6:** Comparative analysis of total assets turn-over ratio of selected companies

## 4.4 Leverage Ratio

### 4.4.1 Debt to equity ratio: analysis and insights

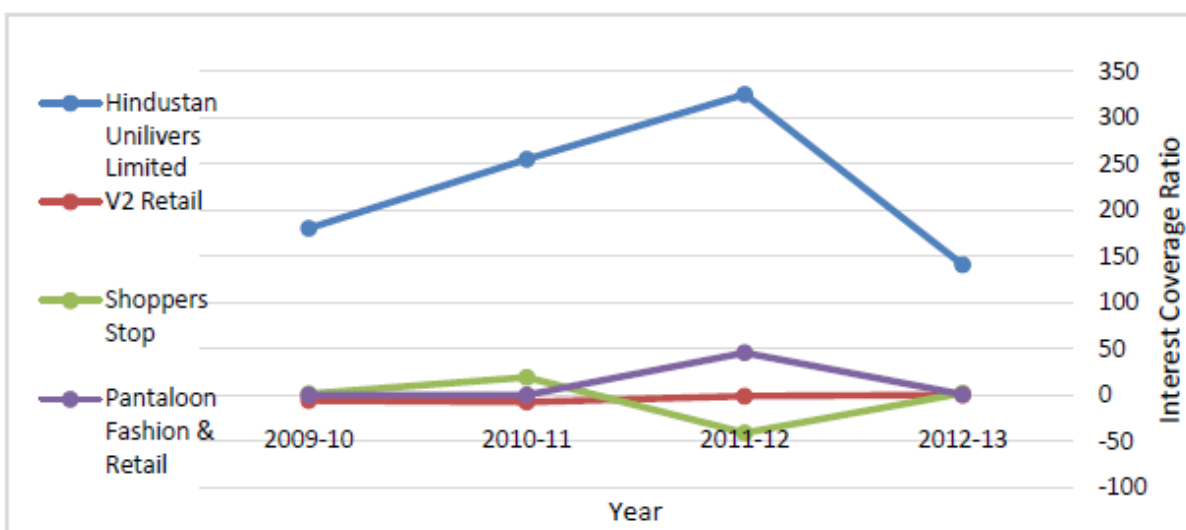
This ratio illustrates the reliance on debt (borrowing) finance by showing how it compares to equity funding. The amount of a company's reliance on debt financing is directly proportional to the level of interest that it incurs and the risk that it faces from being exposed to rising interest rates. Companies that are traded on stock exchanges typically adhere to a pattern in which they borrow money for several years to raise additional capital before they raise equity by issuing new shares. This pattern typically continues until the company reaches its desired level of funding. Graph 7 depicts the distribution of the debt-to-equity ratio over four years and shows how it changed over time. Pantaloons is not the target company for investments, while the other three have an expected debt-to-equity ratio. This is because the debt-to-equity ratio is essentially considered a risk factor in investments, and too high a debt-to-equity ratio is not good for a company's overall health.



**Graph 7:** Comparative analysis of the debt-to-equity ratio of selected companies

#### 4.4.2 Interest coverage ratio: analysis and insights

The time's interest generated ratio should be larger. However, it is deceptive if a company makes large profits but produces no operating cash flow. The distribution of the interest coverage ratio during a four-year interval is shown in Graph 8. Compared to the other three firms, which have roughly the same capacity, it is clear from the above graph that HUL has the best ability to pay interest on its obligations. We can also observe that V2 retail, which is still in its early stages of development, has a nearly negative value of interest coverage ratio.

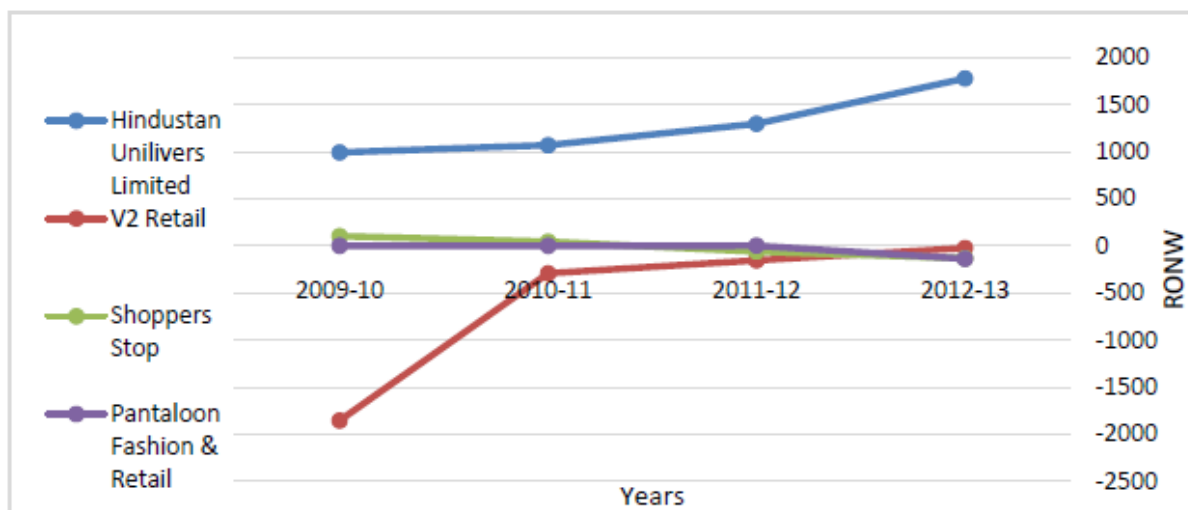


**Graph 8:** Comparative analysis of interest coverage ratio of selected companies

## 4.5 Profitability Ratio

### 4.5.1 Return on shareholder equity: analysis and insights.

This ratio calculates the rate of return on the investments made with net worth. The return on shareholder equity is regarded as the most crucial financial ratio. The distribution of RONW during a four-year interval is shown in Graph 9. Comparing HUL to the other three corporations, it demonstrates consistent growth. V2 Retail has shown growth in its business over the period, in contrast to the other two businesses, which have been able to provide for and employ the investments made by the company shareholders.

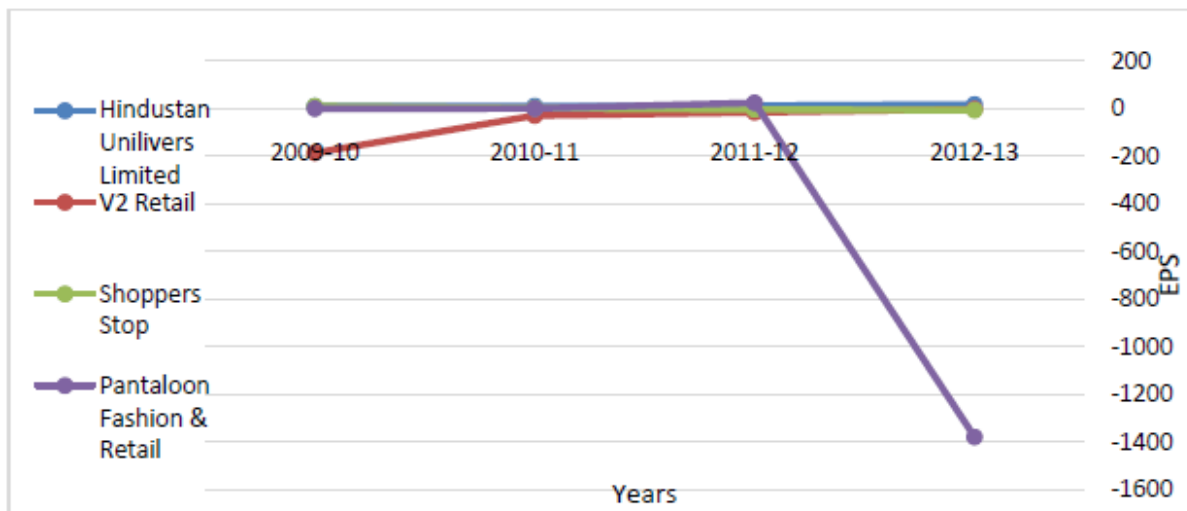


**Graph 9:** Comparative analysis of return on share-holders equity of selected companies

### 4.5.2 Earning per share: analysis and insights.

This ratio demonstrates how effectively the company's assets can be converted into operational income. In a general sense, the better off you are when this ratio is higher. It is essential to understand clearly that this ratio, which calculates the return on investment for shareholders based on the current market value of listed shares, illustrates the actual return shareholders receive on their investments. Graph 10 displays the distribution of earnings per share (EPS) over four years. Over the past four years, HUL, Shoppers Stop, and V2 Retail have exhibited

a pattern of consistency and reliability, in contrast to Pantaloons India, which has experienced a fall in its earnings per share.

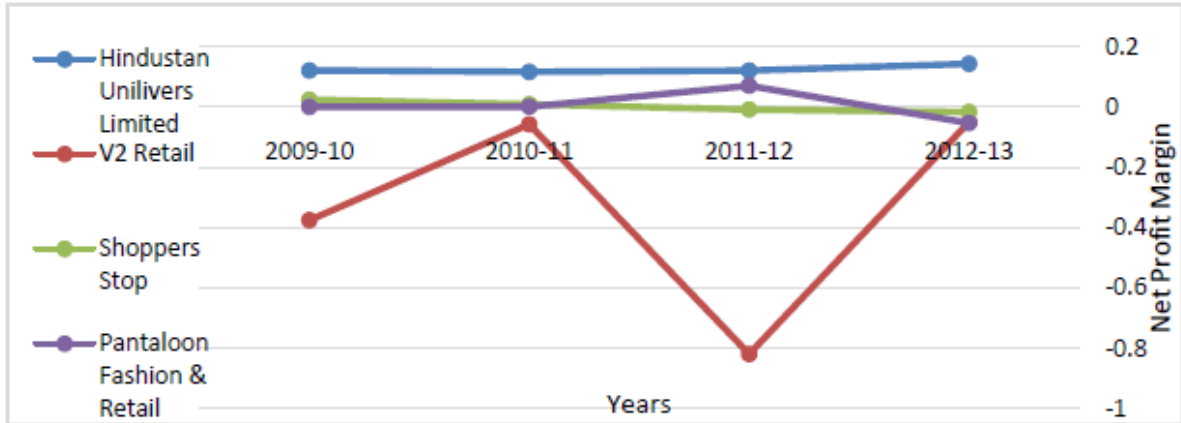


**Graph 10:** Comparative analysis of earning per share of selected companies

#### 4.5.3 Net profit margin: analysis and insights

Operating income about peso revenue is gauged by this ratio. A greater operational margin is often preferable since a lower profit margin than a similar organization might result in higher accounting expenses. The distribution of net profit margin over a four-year interval is shown in Graph 11. The best and most consistent profit margin during the period belongs to HUL. The largest instability in the graph is displayed by V2 retail, while the other two remain somewhat steady.

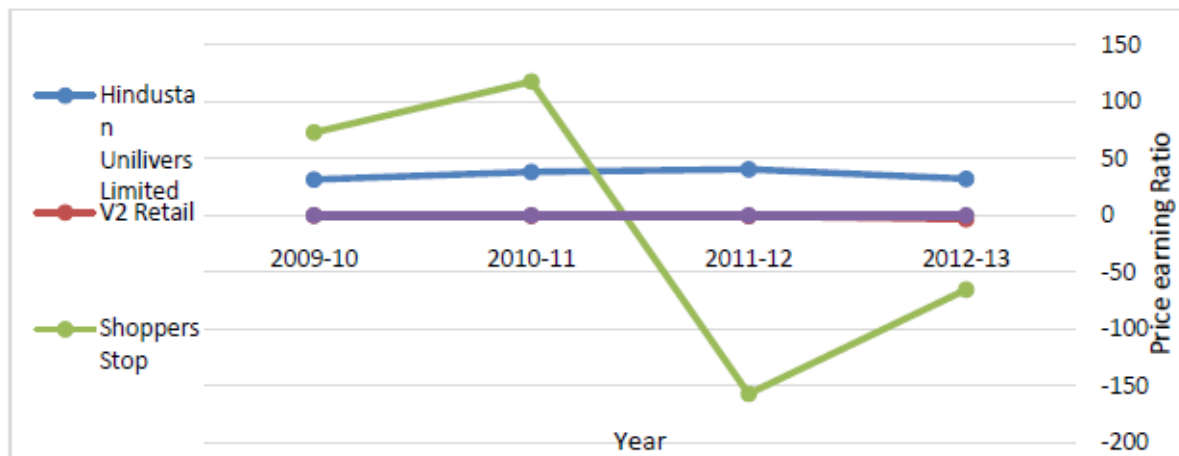




**Graph 11:** Comparative analysis of net profit margin of selected companies

#### 4.5.4 Price-earnings ratio

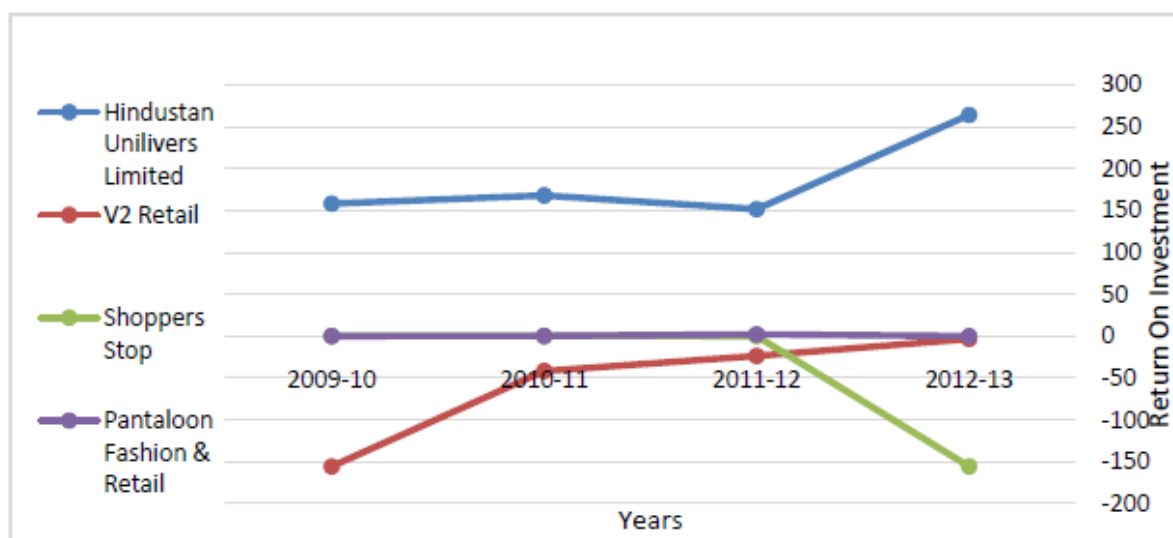
Graph 12 illustrates the distribution of the Price Earnings Ratio over four years for various companies. It is helpful to research a company's competitiveness in the capital market. HUL displays a consistent performance with both its pantaloons and V2 retail brands. On the other hand, the location of the shoppers' stop had changed over time.



**Graph 12:** Comparative analysis of price earning ratio of selected companies

#### 4.5.5 Return on investment (ROI)

The distribution of ROI over a four-year interval is depicted in Graph 13, Comparing HUL to the other three corporations, demonstrating consistent growth. While the other two businesses could not stay in step with the market, V2 retail also demonstrated a growth in their business over the period.

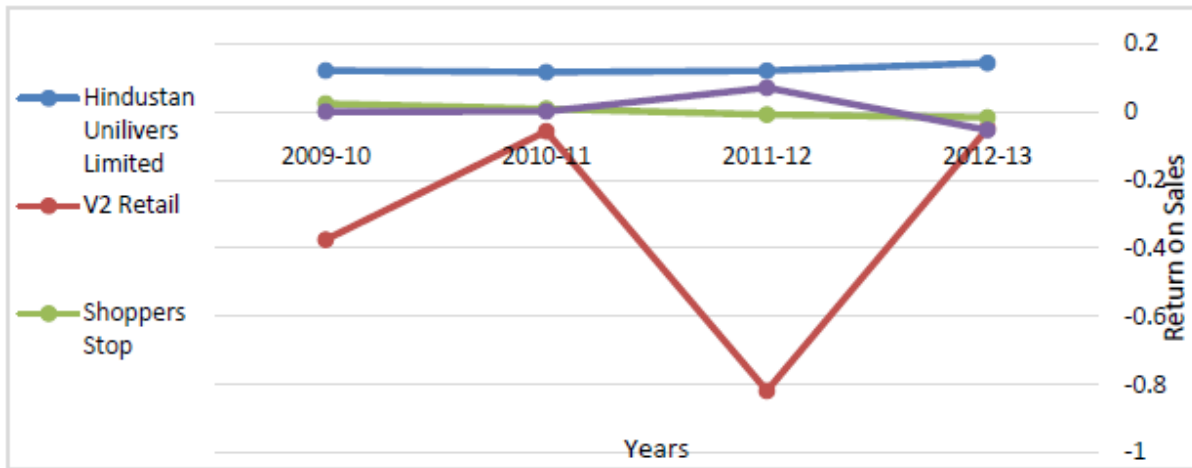


**Graph 13:** Comparative analysis of return on investment of selected companies

#### 4.6 DuPont Analysis: Analysis and Insights

The distribution of Return on Sales throughout four years' worth of time is shown in Graph 14.

After analyzing individual financial ratios and groups of financial ratios that measure short-term liquidity, operating efficiency, capital structure and long-term solvency, and profitability, it is helpful to conclude the analysis of a company by analyzing the interrelationship among the individual ratios. This is an effective way to conclude a company's performance. This ratio illustrates the relationship between total sales and net profit; HUL has a very impressive number because it demonstrates greater efficiency. Pantaloons and Shoppers Stop have an extremely low return on sales, while V2 Retail has demonstrated growth.



**Graph 14:** Comparative analysis of return on sales of selected companies

## 5 Conclusion

Following our investigation of the financial data provided by each of the four companies through the lens of the fifteen financial ratios, we have arrived at the following two conclusions regarding this project: Because it has maintained a consistent and reliable rate of growth throughout its history, "Hindustan Unilever Limited" is an excellent choice for an investment that is both safe and suitable for the long term. V2 Retails, on the other hand, is a new company in the growth stage and is a good option for those seeking quick and high returns with a higher risk factor.



## References

- [1] Florenz C. Tugas, CISA, and CPARAMON V.A, Comparative Analysis of the Financial Ratios of Listed Firms Belonging to the Education Subsector in the Philippines for the Years 2009-2011, (2012), del Rosario College of Business De La Salle University Manila, Philippines.
- [2] Anurag.B.Singh and Priyanka. Tandon, A Study of Financial Performance: A Comparative Analysis of SBI and ICICI bank,
- [3] Altman, I. E., R. G., and Narayana, P., Zeta Analysis: A New Model to identify Bankruptcy Risk of corporations, Journal of Banking and Finance, (1977), 29-54.
- [4] Altman, Attempted to improve conventional ratio analysis by using multivariate analysis on a sample of manufacturing firms, 105 bankrupt firms and 2,058 non-bankrupt firms (1981),
- [5] Beaver, W. H., Financial Ratios as Predictors of Failure, Journal of Accounting Research, Supplement, 71-127.
- [6] Bhattacharya, Asish. K, Introduction to Financial Statement Analysis, Elsevier, New Delhi, 1st edition, Chapter -03, Ratio Analysis, (2007). 32-45.
- [7] Beedles, William L. and Simkowitz, Michael A, A Note on Skewness and Data Errors, the Journal of Finance, 23(1), (1978), 288-293.
- [8] Brigham, E.F. and M.C. Ehrhardt, Financial Management Theory and Practice, 13th Edn. South-Western Cengage Learning, Mason, OH, ISBN: 1439078106, (2010), 1184.
- [9] Courtenay, S. M. and Keller, S. B, Errors in Databases - An Examination of the CRISP Shares- Outstanding Data, Accounting Review, 69(1), (1994), 285-291.
- [10] Foster, George, Financial Statement Analysis, Prentice-Hall, Englewood Cliffs, (1986).
- [11] Gupta S.P, Management Accounting, Sahitya Bhawan Publications, Agra, (2005).
- [12] Klein, B. D., Goodhue, D. L. and Davis, G. B, Can humans detect errors in data? MIS



Quarterly, 21(2), (1997), 169-194.

- [13] Kim, Dongcheol, A reexamination of firm size, book-to-market, and earnings price in the cross-section of expected stock returns, *Journal of Financial and Quantitative Analysis*, (1997), 463-489.
- [14] Kinney, Michael R. and Swanson, Edward P, The accuracy and adequacy of tax data in COMPUSTAT, *The Journal of the American Taxation Association*, Spring 121, (1993).
- [15] Khan, M.Y, *Financial Management*, Tata Mc-Graw Hill, New Delhi, 1<sup>st</sup> edition, Chapter -03, *Financial Statement Analysis: Ratio Analysis*, (1988), 114-15.
- [16] Kothari C.R., *Research Methodology*, New Age Publishers, New Delhi, (2004).
- [17] Lerman, H., *Steps to a basic company financial analysis*. Philadelphia University, Philadelphia, USA, (2003).
- [18] Mensah, Y. M., the Differentiated Bankruptcy Predictive Ability of Specific Price Level Adjustments: Some Empirical Evidence, *the Accounting Review*, 228-245.
- [19] Norton, C. L., and Smith, R. E., A Comparison of General Price Level and Historical Cost Financial Statements in the Prediction of Bankruptcy, *The Accounting Review*, (1979), 72-87.
- [20] Rosenberg and Houglet, Error Rates in CRISP and COMPUSTAT Data Bases and Their Implications, *Journal of Finance*, 29, (1994).
- [21] Ross, S., R. Westerfield, B. Jordan, A. Mazin and Z.F. Abidin, *Financial management fundamentals in Malaysia*. McGraw-Hill, Malaysia, (2007).
- [22] Tarawneh, M., A comparison of financial performance in the banking sector: Some evidence from Omani commercial banks. *Int. Res. J. Finance Econ.*, (2006), 101-112.
- [23] Pandey, I.M. *Financial Management*, Vikas Publishing. House Pvt. Ltd. (2002), 633-649.
- [24] [www.moneycontrol.com](http://www.moneycontrol.com)



## **Vidhyayana - ISSN 2454-8596**

An International Multidisciplinary Peer-Reviewed E-Journal

[www.j.vidhyayanaejournal.org](http://www.j.vidhyayanaejournal.org)

Indexed in: ROAD & Google Scholar

---

[25] [www.bseindia.com](http://www.bseindia.com)

[26] [www.investopedia.com](http://www.investopedia.com)

[27] [http://en.wikipedia.org/wiki/Financial\\_ratio](http://en.wikipedia.org/wiki/Financial_ratio)

[28] <http://www.bseindia.com/>