

ORGANISED RETAIL SECTOR IN INDIA-A FINANCIAL PERFORMANCE ANALYSIS

***KANIKA & **DR. PARUL KHANNA**

**Research Scholar, I. K. Gujral Punjab Technical University, Kapurthala, Punjab, India.*

***Associate Professor, Rayat Bahra Institute of Management, Hoshiarpur, Punjab, India.*

ABSTRACT

The story of retail in India during the last decade has been nothing less than a revolution shaped by world class designs, quality investment and engaging stakeholders. Retail has an important place in the economy of the world as all the economic activities ends with retail. The present study made an attempt to study the performance of retail sector by taking annual time series data from 2001 to 2015 by taking into account descriptive analysis. The descriptive analysis includes the estimation of mean score, standard deviation, minimum score and maximum score of the selected five financial indicators like Profit after tax (here after PAT), Closing Price, Price to Book Ratio, Share Deliverables and Total Return with respect to all the selected listed retail sector companies in India. The study found the performance of the selected retail companies on the basis of the parameters chosen.

Key Words: Retail, Descriptive, Profit After Tax, Closing Price, Total Returns.

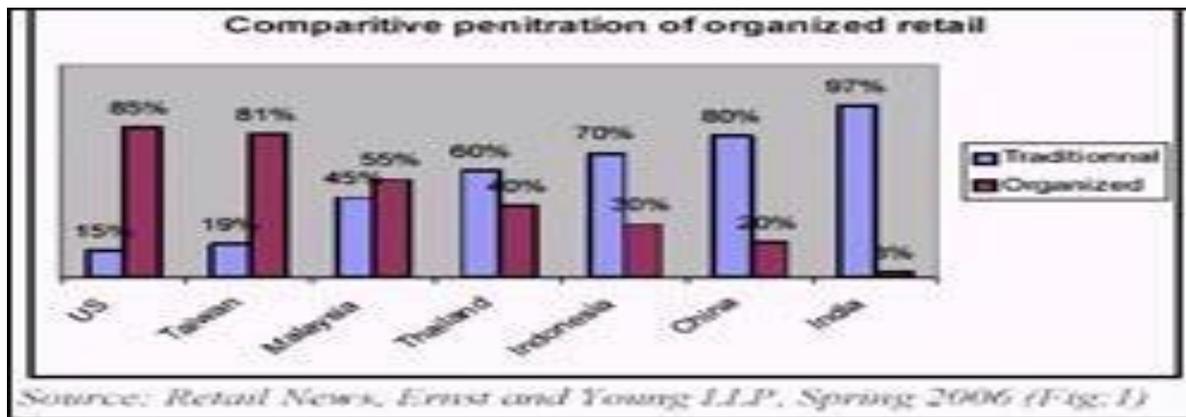
INTRODUCTION

Retail Sector in India

Retail is the final stage where the distribution of merchandise starts. In today's world, retail includes goods as well as services to be provided to the end consumer. The Indian Retail sector is divided into Organised as well as Unorganised Sector. Unorganised sector consists of those retailers who have not registered themselves for tax i.e. local grocery shops, kirana stores, pan-beedi shops etc. On the other hand, organised sector consists of those retailers who have registered themselves for the tax and proper mechanism of supply chain management i.e. hypermarkets, malls, supermarkets etc.

Throughout the most recent couple of years, retail has turned out as the quickest developing sectors in the Indian economy. In monetary terms, India is included in the top five list of retail markets in the world as the Indian retail sector is evaluated to be US\$ 450 billion .The main factors which make India as the place with exceptionally positive retail environment includes young labor force (age group of 25-45 years), high saving as well as investment rates, strong real GDP growth of 9% in 2010 and 8.7% in 2016, expanded client spending etc.

Over the most recent five years (2001-2006) Indian retailing industry has seen extraordinary growth. Where the nation was in the predominance of unorganised retailing, the organized retailing part has now risen vitally and is contributing altogether to the development of Indian retail area. Thus there is a high degree of capacity as well as scope for variety of formats to co-exist in India. The comparative organized and unorganized retail trade of India with the emerging economies is depicted below.



Drivers of Organised Retailing in India

Socio-Economic Change: India has a large middle- class and youth population which has now shifted its preference from unorganised sector to organised sector. The increase in life-expectancy from 58 years to 65 years is showing the influence of socio-economic factors.

Higher Incomes/More Discretionary avenues of Money: The average income of the Indian Consumers has increased which leads to the buying of necessary and unnecessary items.

Attractive Destination: India as the most attractive destination for MNC’s who are entering the retail market through different modes like franchising, Joint ventures etc

Growing consumption pattern: The consumption pattern of Indian Consumers is on the sprouting stage which may emerge different and varied consumption patterns.

Replacement Demand: The demand for the substitutes has been increased due to rapid change in technology and new lifestyle trends.

Rural Population: About 700 million people are living in rural areas which itself is presenting an opportunity for retail and consumer companies to set up their business in rural areas.

Urbanisation: The population of India is shifting from rural to urban areas with increase in rural incomes

Easy Finance: The Indian consumers are now having easy access to credit with more use of plastic money like Debit Card, Credit Card, Internet banking, Mobile Banking etc.

Awareness: Now-a-days, Indian consumer is more cautious and knowledgeable about different variety and usage of products.

Modern Trade Format: Tier I, Tier II, Tier III cities and towns across urban areas of India has accelerated the growth of organised retail sector.

Nuclear families: The fastest increase in urbanisation has led towards the trend of nuclear families which indeed leads to the rapid development of organised retail in India.

Table-1: Share of organised retail to total retail

Country	Share of organised retail to total retail
US	85%
UK	80%
Malaysia	55%
Thailand	40%
Philippines	35%
Indonesia	25%
China	20%
South Korea	15%
India	5%

Source: FICCI Retail Report September 2012

From Table 1 it is found that India is having the least % of organised retail to total retail and the developed countries are having the highest percentage of organised retail to total retail.

This paper has divided into three different sections to study the performance of Indian Retail Sector from 2001 to 2015. Section I discusses the Introduction and the background of the study. Section II discusses the performance of retail sector by taking different variables like Profit after tax (here after PAT), Closing Price, Price to Book Ratio, Share Deliverables and Total Returns and Section III will throw light on conclusions.

The main financial indicators i.e. Profit after tax (here after PAT), Closing Price, Price to Book Ratio, Share Deliverables and Total Returns are considered in order to analyse the performance of selected retail sector companies in India. The analyses of the retail sector companies performance is done with the help of descriptive analysis. The descriptive analysis includes the estimation of mean score, standard deviation, minimum score and maximum score of the selected financial indicator with respect to all the selected listed retail sector companies in India. The results of mentioned analysis are discussed in subsequent sub-sections.

REVIEW OF LITERATURE

Chandel (2014) had investigated the shopping malls in Delhi with respect to quality of services offered by them. The relationship between customer satisfaction and service quality was also measured. **Zdenko Segetlija & Davor Dujak (2014)** had anticipated an instrument to measure the retail trade efficiency of an individual economy which will be complementing the customary analysis by taking into account world's 10 largest retail chains. **Sztangret & Bilińska(2014)** studied the present-day customers and their frequent and customized product demands which are being supplied more efficiently in the market. The complex IT solutions are being provided on the supply of goods to the shop, collection charges, analysis of market, demand fluctuations etc. **Sumathi et.al (2014)** had enumerated the overall picture of Indian retail sector. More than 10 percent of country's GDP and 8 percent of total employment is contributed by retail industry of India. Organised (Hypermarkets, Supermarkets, Malls) and Unorganised sectors(local kirana stores, paan-beedi shops, general stores, hand cart) are the basic components of this industry. The findings of the study stated that the customers prefer the organised sector more these days due to increased disposable income and tremendous change in the life style. **Garg (2014)** had studied the factors determine ERP and the successful implementation of ERP (Enterprise Resource Planning) in Indian retail sector. The findings of the study stated that the factors which positively influenced the implementation of ERP are People, Project Management, Technological and Strategic **Kumar (2014)** had studied the concept of green retailing in Indian context by identifying the nine core groups of green retail practices. Sarma, EAS., (2005), examined critically the impact of allowing FDI in the retail sector. The author was of the view that our government should considered all the possible problems which our traditional retailers can face with the incoming of foreign players and they should be well protected with a safety package as introduces by the Government of Thailand. Reddy, B., (2005), explained the negative impact of allowing FDI in retail sector. He was of the view that after the entry of foreign players in the domestic retail market, the producers will get the minimum margin and the number of traditional retailers will get reduced with low margin and this will cause unrest in the economy like India with increase in unemployment.

STATEMENT OF THE PROBLEM

As the Indian retail sector is growing at a very fast pace for more than a decade. The Retail market of India is going to reach \$1.3 trillion by 2020 from its present status of 500 billion. The retail market in India is highly unorganised (95%) and mere 5% is the only share of organised segment. Thus, need arises that an attempt should be made to study the financial performance of listed multi-brand retail companies to know how these companies are growing in this post liberalization era.

OBJECTIVES OF THE PAPER

- (1) To study the financial performance of listed retail sector companies in India.
- (2) To find out the best company on the basis of the selected parameters.

RESEARCH METHODOLOGY

Sample Design: The organised eight retail sector companies have been selected for the study. The selected companies are the listed companies either in BSE or NSE and these companies are multi-brand retail companies whose data is maximum available from 2001 to 2015.

Table-2: Main Retail companies in India

Name of the company	Listing year	Promoters
Aditya Birla Fashion & Retail Ltd.	BSE, NSE	Mr. Kumar Mangalam Birla
Cantabil Retail India Ltd.	BSE, NSE	Mr. Vijay Bansal
Future Enterprises Ltd.	BSE, NSE	Mr. Vijay Kumar Chopra
Future Retail Ltd.	BSE, NSE	Mr. Kishore Biyani
Mandhana Retail Ventures Ltd.	BSE, NSE	Mr. Pradip. V Dubhashi
Provogue (India) Ltd.	BSE, NSE	Mr. Arun Bhargava
Shoppers Stop Ltd.	BSE, NSE	Mr. Chandru Raheja

V 2 Retail Ltd.	BSE, NSE	Mr. Ram Chandra Agarwal
-----------------	----------	-------------------------------

Sources of Data: The data required for the study were collected from various published secondary sources, that is, the database of CMIE (Centre for Monitoring Indian Economy), FICCI retail report, PWC retail report, DIPP (Department of Industrial Planning and Promotion), FIPB (Foreign Investment Promotion Board), Indian Retail Association etc. The data were also collected from different web sources, that is, www.ibef.org; www.indiaretailing.com etc.

HYPOTHESES:

H0₁: There is no significant difference between the average mean values of selected retail companies during different years of the study period.

H0₂: There is no significant difference between the maximum value and minimum value of selected retail companies during different years of the study period.

Tools for Data Analysis: The statistical tools applied for descriptive analysis of data are average mean value, standard deviation, minimum value, maximum value using SPSS 21 and E-views.

Scope of the Study: The scope of the present paper is divided into five parts and each part deals with the importance of one parameter towards the analysis of financial performance of retail sector companies.

ANALYSIS, RESULTS AND DISCUSSION

In order to analyse the performance of retail sector companies in India, the annual time-series data of the selected financial indicators is collected in the research study. The selected financial indicators includes Profit after tax (here after PAT), Closing Price, Price to Book Ratio, Share Deliverables and Total Return. The descriptive analysis of the selected performance indicators is discussed below.

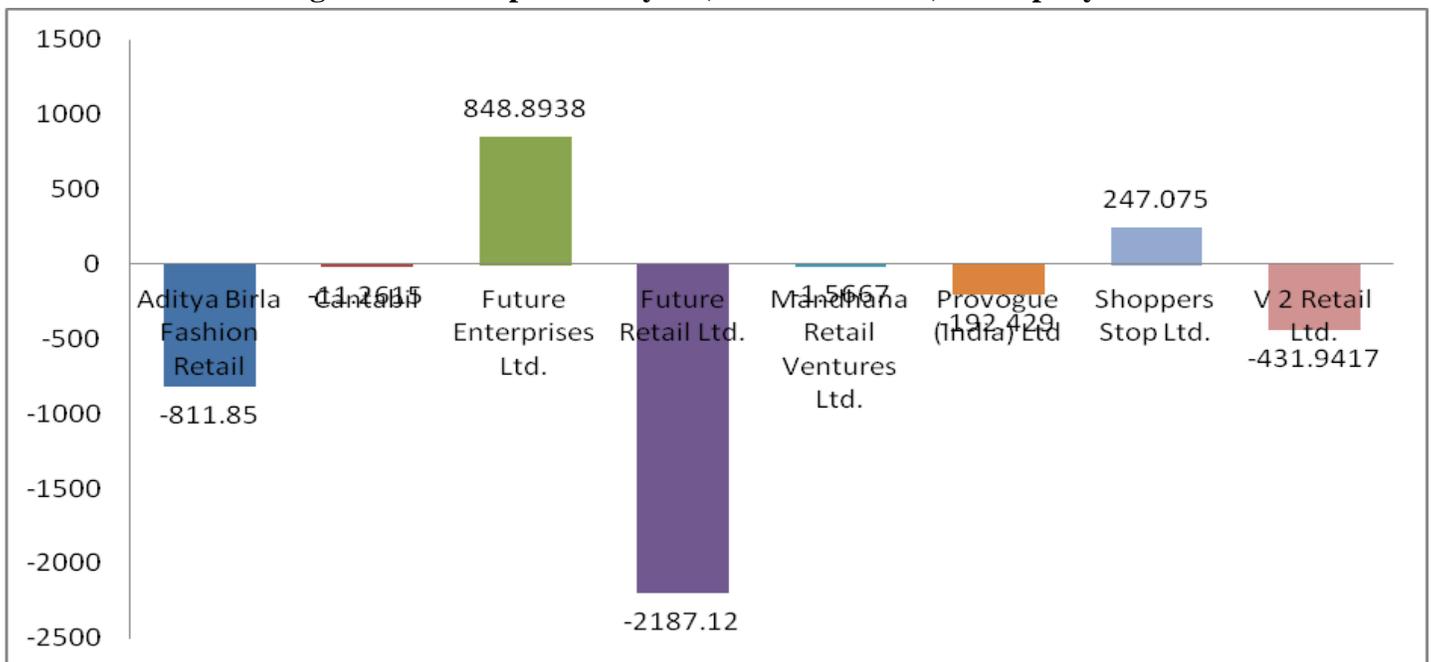
Profit after tax is commonly known as PAT. It is the net amount of profit after making all the payments related to interest (paid to creditors) and taxes (paid to government). It is the amount of profit which the business earns in reality. After-tax profit margin is a financial performance ratio which is calculated by dividing profit after tax by net sales and indicates the proportion of money an entity earns in reality from its sales. For the purpose of the study we are taking only PAT and not after tax profit margin.

Table-3: Descriptive analysis of the Profit After Tax of the selected retail sector companies in India

Company	Average Profit After Tax	Median	Standard Deviation	Minimum Profit After Tax	Maximum Profit After Tax
Aditya Birla Fashion Retail	-811.8500	-743.7000	782.14280	-2281.40 (2014)	12.20 (2011)
Cantabil	-11.2615	27.6000	137.74010	-328.80 (2012)	146.80 (2009)
Future Enterprises Ltd.	848.8938	578.8	901.4264	28.1 (2013)	2741.1 (2011)
Future Retail Ltd.	-2187.12	-2185.05	1906.364	-5381 (2012)	145.5 (2015)
Mandhana Retail Ventures Ltd.	-1.5667	-1.9	0.57735	-1.9 (2014)	-0.9 (2011)
Provogue (India) Ltd	-192.429	124.1	793.1331	-1956.7 (2015)	334.1 (2010)
Shoppers Stop Ltd.	247.075	256.9	311.1057	-637.2 (2008)	751.8 (2010)
V 2 Retail Ltd.	-431.9417	-7.5000	1230.92688	-4147.20 (2009)	406.40 (2007)

Source: Centre for Monitoring Indian Economy, Calculation using SPSS 21.

Figure: 1. Descriptive analysis (Profit After Tax) –Company Wise



The closing price also known as the final price of a particular share traded at the end of the specified trading day on the exchange.

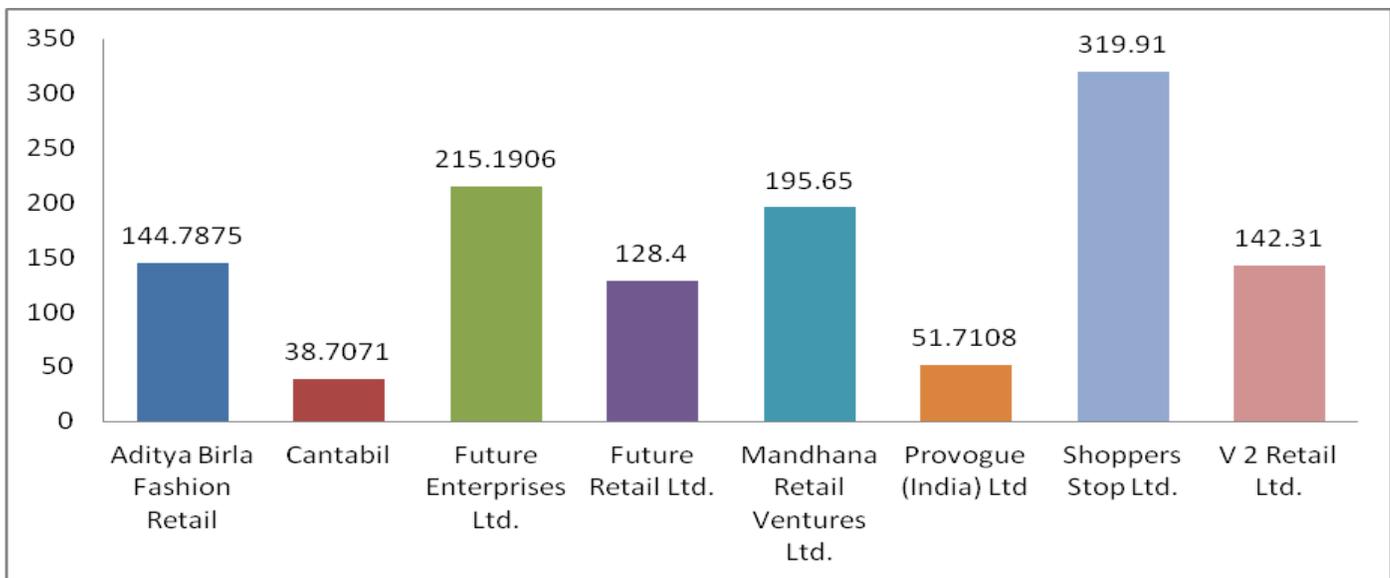
The descriptive analysis of Closing price of the selected retail sector companies in India is shown below in Table 4.27

Table-4: Descriptive analysis of the Closing Price of the selected retail sector companies in India

Company	Average Closing Price	Median	Standard Deviation	Minimum Closing Price	Maximum Closing Price
Aditya Birla Fashion Retail	144.7875	129.1000	61.03812	89.65 (2013)	231.30 (2015)
Cantabil	38.7071	37	21.86878	14.75 (2011)	63.3 (2016)
Future Enterprises Ltd.	215.1906	138.4050	212.61431	5.21 (2001)	823.97 (2007)
Future Retail Ltd.	128.4	128.4	1	128.4 (2016)	128.4 (2016)
Mandhana Retail Ventures Ltd.	195.65	195.65	1	195.65 (2016)	195.65 (2016)
Provogue (India) Ltd	51.7108	30.4200	69.89516	4.50 (2016)	256.77
Shoppers Stop Ltd.	319.9100	314.2750	121.33156	86.50 (2008)	496.20 (2014)
V 2 Retail Ltd.	142.3100	51.9750	295.19138	7.30 (2013)	976.35 (2007)

Source: Centre for Monitoring Indian Economy, Calculation using SPSS 21.

Figure: 2. Descriptive analysis (Shares Deliverables) –Company Wise



Price to Book Ratio

Price to book ratio is commonly known as P/B ratio or price-equity ratio. This ratio helps to compare the market price with the book value of a particular security. This ratio is calculated by dividing current closing price with the book value of a particular security. A low P/B ratio is an indicator of undervaluation of stock and a very high ratio indicates that the stock is overvalued.

Formula:

$$P/B\text{Ratio} = \frac{\text{Stock Price}}{\text{Total Assets} - \text{Intangible Assets and Liabilities}}$$

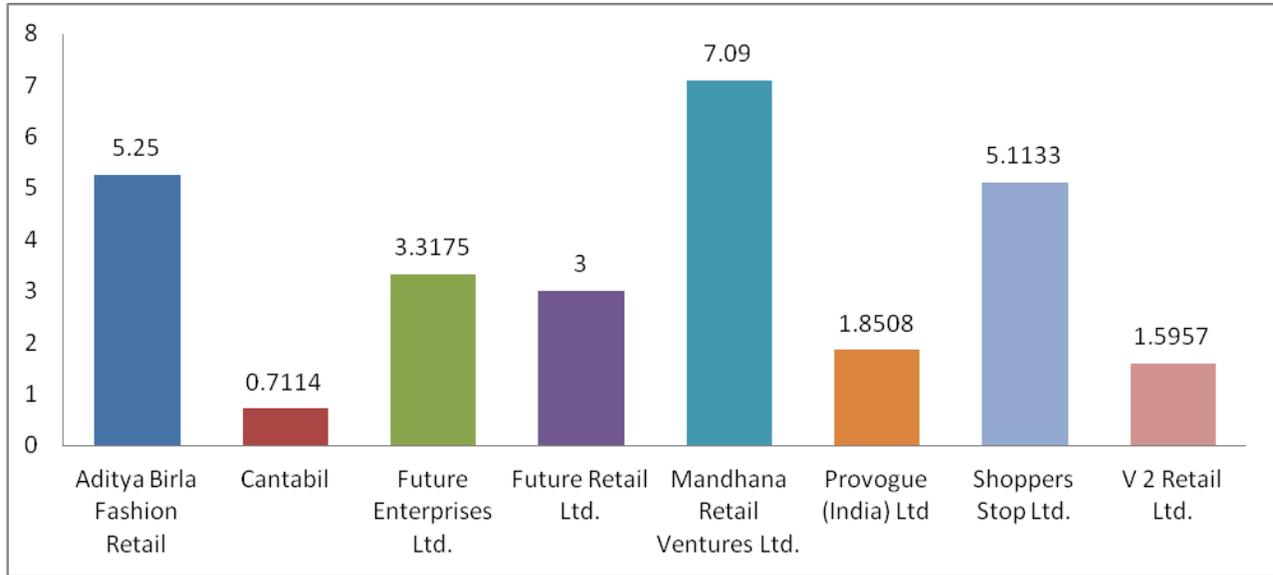
The descriptive analysis of Price to Book ratio of the selected retail sector companies in India is shown below in Table 3

Table-5: Descriptive analysis of Price to Book Ratio of the selected retail sector companies in India

Company	Average Price to Book Ratio	Median	Standard Deviation	Minimum Price to Book Ratio	Maximum Price to Book Ratio
Aditya Birla Fashion Retail	5.2500	4.4600	4.24568	1.28 (2013)	10.80 (2016)
Cantabil	.7114	.6600	.45568	.17 (2011)	1.31 (2016)
Future Enterprises Ltd.	3.3175	1.7750	3.81800	.20 (2016)	11.97 (2004)
Future Retail Ltd.	3	3		3 (2016)	3 (2016)
Mandhana Retail Ventures Ltd.	7.09	7.09		7.09 (2016)	7.09 (2016)
Provogue (India) Ltd	1.8508	.6550	2.77782	.16 (2014)	8.95 (2007)
Shoppers Stop Ltd.	5.1133	5.2550	1.63291	2.41 (2008)	8.22 (2006)
V 2 Retail Ltd.	1.5957	0.34	3.38049	0.06 (2013)	9.24 (2007)

Source: Centre for Monitoring Indian Economy, Calculation using SPSS 21.

Figure: 3. Descriptive analysis (Price to Book Ratio) –Company Wise



The descriptive analysis of the Price to Book Ratio of the selected retail companies indicates that Mandhana Retail Ventures Ltd is found to have the highest average Price to Book Ratio of 7.09 times followed by the mean score of Aditya Birla fashion retail Ltd.(5.25 times). The results indicates that the major retail companies in India are Mandhana Retail Ventures Ltd and Aditya Birla fashion retail Ltd.

Among the selected companies, the companies with the lowest mean scores are found to be Cantabil and V2 Retail Ltd. The results also represents that the Mandhana Retail Ventures Ltd is found to have maximum Price to Book Ratio in 2016 and minimum in the year 2016. Similarly, Aditya Birla fashion retail Ltd is found to have maximum Price to Book Ratio in 2016 and minimum in 2013.

Deliverables

Deliverables commonly known as Inter day traded shares. It refers to that particular segment of total quantity of traded shares which are transferred from seller’s demat to buyer’s demat account. To sum up, where the actual delivery is given or ownership is transferred as against Intraday transactions where delivery is not taken place.

Volume traded	Intra day traded shares + Inter day traded share
Deliverables	Inter day traded share.
Deliverables %	(Inter day traded shares/Total volume traded) × 100

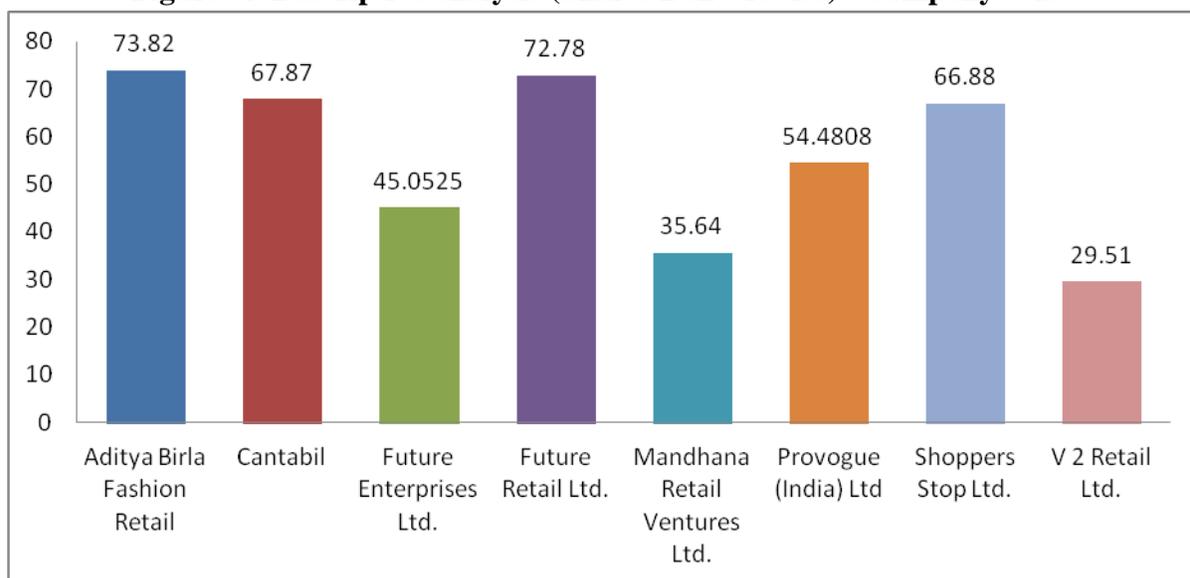
The descriptive analysis of Shares Deliverables of the selected retail sector companies in India is shown below in Table 6

Table-6: Descriptive analysis of Shares Deliverables of the selected retail sector companies in India

Company	Average Shares Deliverables	Median	Standard Deviation	Minimum Shares Deliverables	Maximum Shares Deliverables
Aditya Birla Fashion Retail	73.8200	79.7500	13.44517	53.72 (2016)	82.06 (2014)
Cantabil	67.8700	74.1900	12.17754	49.01 (2016)	76.74 (2014)
Future Enterprises Ltd.	45.0525	48.6000	28.32206	0.00 (2001)	95.17 (2002)
Future Retail Ltd.	72.78	72.78	1	72.78 (2016)	72.78 (2016)
Mandhana Retail Ventures Ltd.	35.64	35.64	1	35.64 (2016)	35.64 (2016)
Provogue (India) Ltd	54.4808	54.2750	14.21679	24.92 (2005)	81.49 (2016)
Shoppers Stop Ltd.	66.8800	64.7100	22.49317	16.93 (2012)	99.96 (2008)
V 2 Retail Ltd.	29.5100	23.3100	31.50489	0.00 (2009)	65.57 (2015)

Source: Centre for Monitoring Indian Economy, Calculation using SPSS 21.

Figure: 4. Descriptive analysis (Shares Deliverables) –Company Wise



The descriptive analysis of the Deliverables of the selected retail companies indicates that Aditya Birla Fashion Retail is found to have the highest Deliverables of Rs. 73.82 crores followed by the mean score of Future Retail Ltd. (Rs.72.78 crores). The results indicate that the major retail companies in India are Aditya Birla Fashion Retail and Future Retail Ltd.

Among the selected companies, the companies with the lowest mean scores are found to be Mandhana Retail Ventures Ltd. and V2 Retail Ltd. The results also represents that the Aditya Birla Fashion Retail is found to have maximum Deliverables in 2014 and minimum in the year 2016. Similarly, Future Retail Ltd is found to have maximum Deliverables in 2016 and minimum in 2016.

Total Return

Total Return is the total income earned by an investment over a particular period of time. It includes interest, capital gains, dividends, distributions etc which are realized on an investment or a pool of investment over a period of time. It is calculated by using the following formula:

a) Total return

Interest
+Capital Gains
+dividends
+Distributions
=Total Return

b) Total return= Income/Investment*100

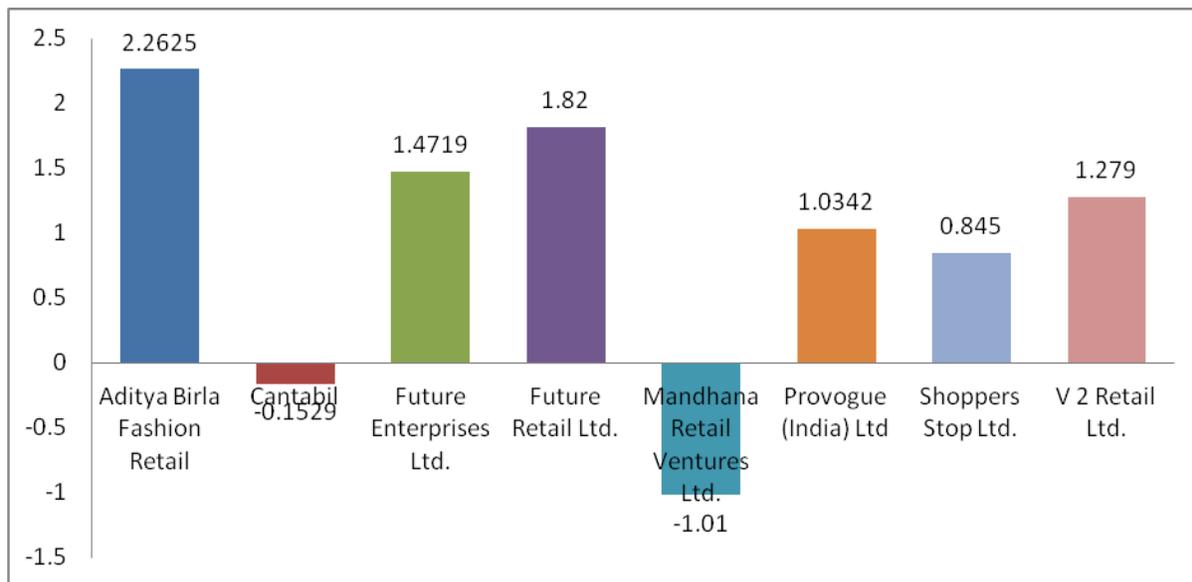
Table-7: Descriptive analysis of Total Returns of the selected retail sector companies in India

Company	Average Total Returns	Median	Standard Deviation	Minimum Total Returns	Maximum Total Returns
Aditya Birla Fashion Retail	2.2625	1.865	3.53654	-1.6 (2014)	6.92 (2013)
Cantabil	-.1529	-.4900	1.98418	-3.74 (2013)	2.78 (2014)
Future Enterprises	1.4719	.7400	3.03907	-2.89	9.69

Ltd.				(2003)	(2001)
Future Retail Ltd.	1.82	1.82	1	1.82 (2016)	1.82 (2016)
Mandhana Retail Ventures Ltd.	-1.01	-1.01	1	-1.01 (2016)	-1.01 (2016)
Provogue (India) Ltd	1.0342	.7000	2.12669	-1.69 (2009)	4.65 (2008)
Shoppers Stop Ltd.	.8450	.7800	2.03888	-2.02 (2006)	4.41 (2008)
V 2 Retail Ltd.	1.2790	.5550	2.33136	-1.46 (2015)	5.00 (2008)

Source: Centre for Monitoring Indian Economy, Calculation using SPSS 21.

Figure: 5- Descriptive analysis (Total Returns) –Company Wise



The descriptive analysis of the Total Returns of the selected retail companies indicates that Aditya Birla fashion Retail is found to have the highest average Total Returns of 2.2625% followed by the mean score of Future Retail Ltd. 1.82%. The results indicate that the major retail companies in India are Aditya Birla fashion Retail and Future Retail Ltd.

Among the selected companies, the companies with the lowest mean scores are found to be Mandhana Retail Ventures Ltd. and Cantabil. The results also represents that the Aditya Birla fashion Retail is found to have maximum Total Returns in 2013 and minimum in the year 2014. Similarly, Future Retail Ltd is found to have maximum Total Returns in 2016 and minimum in 2016.

CONCLUSION

India's share of organised retailing is ranging around 6-7%. Ample opportunities are available in the organised retail sector. Out of the selected companies in organised retail sector, the result of Descriptive Analysis shows that Mandhana Retail Ventures Ltd. has the highest average Price to Book Ratio, Shoppers Stop Ltd. has the highest average Closing Price, Future Enterprises Ltd. has the highest average Profit After Tax, Aditya Birla Fashion & Retail has the highest average Total Returns and Shares Deliverables.

Thus, the Indian Retail Industry is on the growth and never ending development path. Number of listed retail sector companies is now getting increased with upgraded technology, managerial expertise, enhanced portfolio etc.

LIMITATIONS OF THE STUDY AND SCOPE FOR FURTHER RESEARCH

The information used in the present paper is primarily from recent annual statistics available to the public that may also include missing data. However, an attempt has been made to present the relevant and latest available data regarding financial performance of retail sector companies in India. Now-a-days, most of the developed and developing countries in the world have regarded Retail Industry performance analysis as an important theme and a key towards balanced growth of the economy as the ultimate consumer is getting the goods manufactured through retail outlets only.

REFERENCES

1. Chandel, Shahla Jahan (2014) "Service Quality and Customer Satisfaction in Organized Retail Sector in India" Vol 4 issue 7 International Journal of marketing and technology (IJMT).
2. Garg, Poonam Garg, Atul (2014), "Factors influencing ERP implementation in retail sector: an empirical study from India" Journal of Enterprise Information Management Vol. 27 No. 4, 2014 pp. 424-448.
3. Izabela Sztangret, Katarzyna Bilińska-Reformat (2014), "Entities of trade sector in the market of IT products in Poland", International journal of management cases.
4. Prashant Kumar, (2014), "Greening retail: an Indian experience", International Journal of Retail & Distribution Management, Vol. 42 Iss 7 pp. 613 – 625.
5. Sarma, E. A. S. (2005). Need for caution in retail FDI. *Economic and Political Weekly*, 4795-4798.

6. Sumathi K., Vidya R. and S. B. Akash (2014), “Organised retailers:drivers of customer satisfaction SCMS” Journal of Indian Management, April - June, 2014.
7. Reddy, P. (2005). R&D-related FDI in developing countries: implications for host countries. *Globalization of R&D and Developing Countries. Nueva York: United Nations*, 89-88.
8. Zdenko Segetlija, Davor Dujak (2014), “Retail Supply Chains And Efficiency Of Retail Trade” Scientific Journal Of Logistics 2014, 10 (3), 319-330