

A COMPARATIVE PROFITABILITY ANALYSIS OF SELECT RETAIL COMPANIES WITH REFERENCE TO PRE AND DURING COVID-19 PERIOD

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ABSTRACT

The objective of the article is to evaluate and compare profitability of select retail companies of India. The research includes top three Retail companies Future Retail Limited, Aditya Birla Fashion & Retail Limited and Avenue Super Mart Limited, which is also listed in National Stock Exchange. The research is Quantitative in nature and includes financial records as prescribed by SEBI for analysis. The result clearly indicates that, Covid-19 has impacted the Retail companies. All the three companies were financially impacted due to the world-wide pandemic known as Covid-19. The first financial quarter of Covid-19, from 1st April 2020 to 30th June 2020, has shown decline in Net Profit, Operating Income and Return on Equity of all the selected Retail companies. Avenue Super Mart Limited has topped in all the profitable parameters on the basis of comparative analysis of the three companies. However, Future Retail Limited needs to make changes in their strategy for maintaining or resorting their profit. This will help the Retail Managers to adopt the best practises followed by the leaders. Finally, the outcome will enhance the understanding of the impact of Covid-19 on the profitability of Retail companies, for policy makers, researcher and academicians.

Keywords: Covid-19, Retail Companies and Profitability

INTRODUCTION

Indian Economy is struggling with slow economic activity due to global pandemic situation. Covid-19 is not just a term but a threat for all economy. It has resulted in tremendous decrease in global and local trade. India has recorded the lowest and slowest growth rate of 5.3% in the last 11 years.¹

RETAIL

Retail sector which contributes 10 % of India's Gross Domestic Product witnessing a turbulence due to Covid-19. It is considered as an important pillar of its economy. It plays a vital role in positively contributing to GDP and giving employment to 8 % of working population.² Indian Retail Industry includes individuals and groups involve in marketing of ready products to

the consumers. It comprises of all shops, malls and stores that sells products to buyers.

The Retail sector composition consist of majorly Apparel & Footwear, followed by Consumer durables & IT, Jewellery & Accessories, Health & Entertainment, Home Décor & Furnishings, Beauty & Personal Care and other products. In fact, India is ranked 5th largest global destination in the retail space. Opening of economy and simplification of lock down check will help the Retail sector to unleash its potential.

Retail giants with huge potential to invest must take an appropriate step to overcome from unexpected pandemic circumstances. They must take a strategical move. They may also use various concepts of cost accounting in order to minimize their cost and maximize their output. They must analyse their financial statements and try to take small steps, which will have a greater

impact on their company. It will help them to recover and boost the economy.

PROFITABILITY

The ability to keep business surviving is profitability. There is no business which can survive for a long run without earning profit. These profits are distributed among entrepreneurs, employees and other stakeholders. However, it was a challenging task for most of the retail giants for maintaining their profits during Covid-19.

Every business must calculate or analyse profitability of their firm for keeping a track of its profit. There are various ways to measure a profitability of an organisation, which includes calculation related to Net Profit Margin, Operating Profit Margin, Gross Profits Margin, Earning Before Interest and Tax, Return on Investment and Return on Capital Employed. Profitability research helps a firm to increase their earning and thus resulting into optimising opportunities for business.

REVIEW OF LITERATURE

In order to proceed, the researchers have identified the following literatures for their study. The literatures are based on Profitability, Retail Industry and Covid-19 & Economy

PROFITABILITY

Amirthalingam, Nishanthini & Balasundaram, Nimalathan. (2013) have observed profitability helps to understand the financial ability of a firm. It can be used as a tool to differentiate among same class of companies and it help the company to make policy.

Tulsian, Monica. (2014) has pointed on an important fact that, Net Income alone cannot be a good indicator of a profitability. So we need to also consider figures related to sales, cost of goods sold, capital employed, operating expenses, etc.⁴

RETAIL INDUSTRY

Zeller, Donna. (2017) has coined that, retail owners may find easier to establish themselves in domestic market but it becomes challenging when it comes to settle on a global markets. The study provided a better strategy to overcome from challenges.⁵

Sansone, Marcello & Colamatteo, Annarita. (2017) have studied that, the strength of a Retail business depends on the ability of the entrepreneur to direct the resources for favourable outcome.⁶

Covid-19 & Economy

Agarwal, Ms. S. & Singh, Archana. (2020) have correctly indicated that, Covid-19 will have an adverse effect on Indian economy. However, they highlighted a fact that the Covid-19 has sudden and short term growth for few businesses.⁷

Roy, Shohini. (2020) has explained that, Covid-19 had global impact on the world economy. It also represented the loss in various sector of the economy due to Covid-19.⁸

Research Gap

Through the above review of literatures, it is assumed that, there is no such research article which performed "A Comparative Profitability Analysis of Select Retail Companies with Reference to Pre and During Covid-19"

OBJECTIVES OF THE ARTICLE

The following objectives has been drawn on the basis of the review of literatures and research gap,

1. To study the impact of Covid-19 on the Net Profit of select Retail Companies
2. To study the impact of Covid-19 on the Operating Income of select Retail Companies
3. To study the impact of Covid-19 on the Return on Equity of select Retail Companies

RESEARCH PROBLEMS OF THE ARTICLE

On the basis of the above objectives, the following research problem has been identified

To study, compare and analyse the impact of Covid-19 on the Profitability of select Retail Companies.

H₁: There is a significant relation between Covid-19 and the Return on Equity of

select Retail Companies

HYPOTHESES OF THE ARTICLE

HYPOTHESIS 1

H₀: Covid-19 has no significant effect on the Net Profit of select Retail Companies

H₁: Covid-19 has significant effect on the Net Profit of select Retail Companies

HYPOTHESIS 2

H₀: Covid-19 has no effect on the Operating Income of select Retail Companies

H₁: Covid-19 has effect on the Operating Income of select Retail Companies

HYPOTHESIS 3

H₀: There is no significant relation between Covid-19 and the Return on Equity of

select Retail Companies

RESEARCH METHODOLOGY

TYPE OF RESEARCH

The current article is Quantitative in nature as it deals with the data related to financial statements. It can be simplified as Comparative research as the article will compare the Net Profit, Operating Income & Return on Equity of Per Covid-19 and During Covid-19

SOURCES OF DATA COLLECTION

The research is based on secondary data. Here, the researchers have made possible effort to collect an authenticated data from the government recognised websites like NSE, BSE, SEBI, etc.

SAMPLING

The researchers have chosen the top 3 list companies of Retail. Therefore, no sampling techniques has been used for the given article.

SR. NO.	NAMES OF COMPANIES
1	Future Retail Limited
2	Aditya Birla Fashion and Retail Limited
3	Avenue Supermarts Limited

REFERENCE PERIOD OF THE ARTICLE

As the research is to evaluate comparative profitability for pre and during Covid-19, therefore 3 Quarterly financial report from Pre Covid-19 period is taken to compare with the 3 Quarterly financial report of During Covid-19 period. So, in total 18 months are taken for the analyses due to constrain of data. Here, 9 months of Pre Covid-19 period includes financial data from July 2019 to March 2020 and 9 months of During Covid-19 period includes financial data from April 2020 to December 2020.

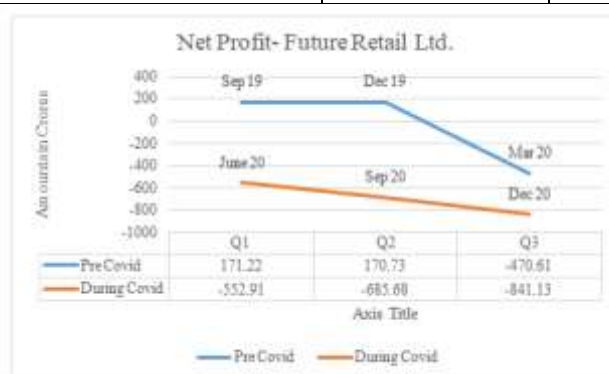
TOOL AND TECHNIQUES OF DATA ANALYSIS

In order to draw a strong conclusion, the researchers have calculated the mean, variance and t-Test for Net Profit, Operating Profit and Return on Equity of select Retail Companies.

For Future Retail Limited (Net Profit)

t-Test: Paired Two Sample for Means

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	-42.88666667	-693.24
Variance	137210.4974	20810.56
Observations	3	3
Pearson Correlation	0.888129615	
Hypothesized Mean Difference	0	
df	2	
t Stat	4.484146187	
P(T<=t) one-tail	0.02315274	
t Critical one-tail	2.91998558	
P(T<=t) two-tail	0.04630548	
t Critical two-tail	4.30265273	



For Future Retail Limited (Operating Income)

t-Test: Paired Two Sample for Means		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	4989.653	1419.587
Variance	239643.4	4302.104
Observations	3	3
Pearson Correlation	-0.97591	
Hypothesized Mean Difference	0	
df	2	
t Stat	11.16708	
P(T<=t) one-tail	0.003962	
t Critical one-tail	2.919986	

P(T<=t) two-tail	0.007924	
t Critical two-tail	4.302653	



For Future Retail Limited (Return on Equity)

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	-0.35397	-6.39198
Variance	12.66754	1.767858
Observations	3	3
Pearson Correlation	0.888241	
Hypothesized Mean Difference	0	
df	2	
t Stat	4.259378	
P(T<=t) one-tail	0.025472	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.050944	
t Critical two-tail	4.302653	



For Aditya Birla Fashion & Retail Limited (Net Profit)

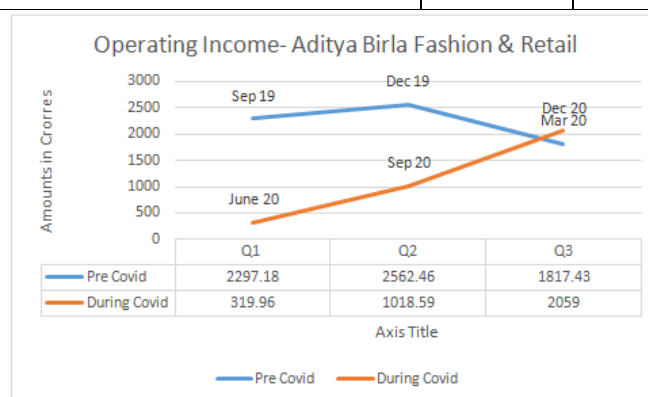
t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	-55.5833	-171.6
Variance	5786.631	54429.2
Observations	3	3
Pearson Correlation	-0.97593	
Hypothesized Mean Difference	0	
df	2	
t Stat	0.652453	
P(T<=t) one-tail	0.29054	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.58108	
t Critical two-tail	4.302653	



For Aditya Birla Fashion & Retail Limited (Operating Income)

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	2225.69	1132.517
Variance	142600.5	765799.5
Observations	3	3
Pearson Correlation	-0.71825	
Hypothesized Mean Difference	0	

df	2	
t Stat	1.609987	
P(T<=t) one-tail	0.124345	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.248691	
t Critical two-tail	4.302653	



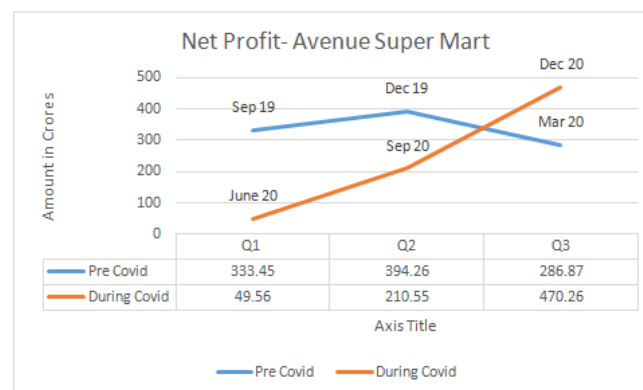
For Aditya Birla Fashion & Retail Limited (Return on Equity)

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	-0.07182	-0.219
Variance	0.00966	0.089318
Observations	3	3
Pearson Correlation	-0.96917	
Hypothesized Mean Difference	0	
df	2	
t Stat	0.645609	
P(T<=t) one-tail	0.292357	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.584713	
t Critical two-tail	4.302653	



For Avenue Super Mart (Net Profit)

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	338.1933	243.4567
Variance	2900.027	45059.26
Observations	3	3
Pearson Correlation	-0.54961	
Hypothesized Mean Difference	0	
df	2	
t Stat	0.666979	
P(T<=t) one-tail	0.286718	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.573435	
t Critical two-tail	4.302653	



For Avenue Super Mart (Operating Income)

t-Test: Paired Two Sample for Means

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	6298.16	5494.69
Variance	169384.7	3296384
Observations	3	3
Pearson Correlation	0.168513	
Hypothesized Mean Difference	0	
df	2	
t Stat	0.776269	
P(T<=t) one-tail	0.259409	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.518819	
t Critical two-tail	4.302653	



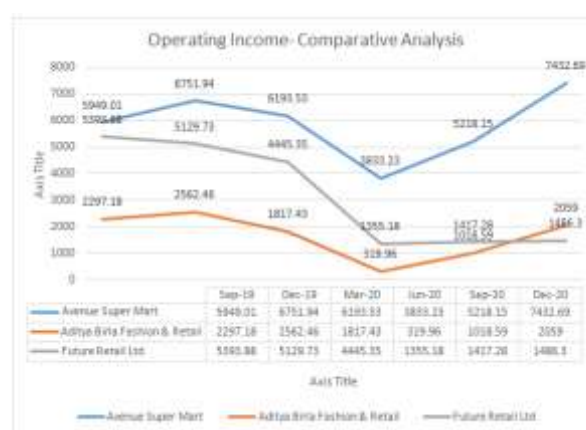
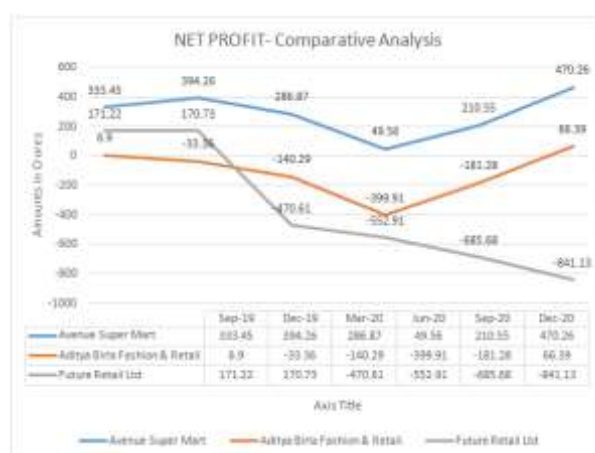
For Avenue Super Mart (Return on Equity)

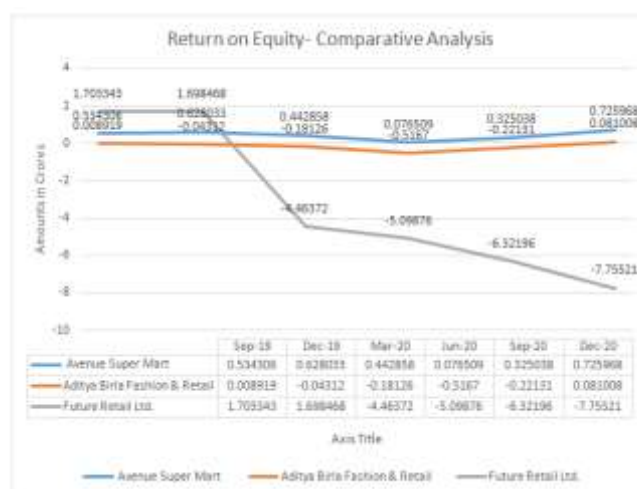
t-Test: Paired Two Sample for Means		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.535066	0.375838
Variance	0.008573	0.107385
Observations	3	3
Pearson Correlation	-0.6061	
Hypothesized Mean Difference	0	
df	2	
t Stat	0.705676	
P(T<=t) one-tail	0.276755	

t Critical one-tail	2.919986	
P(T<=t) two-tail	0.553511	
t Critical two-tail	4.302653	



Comparative Analysis





SIGNIFICANCE OF THE ARTICLE

The current article plays a significant role for Retail Entrepreneurs, Strategic Managers, Merchandise Managers, Investor and other stakeholders to adopt an appropriate cost structure during this pandemic situation, so as to survive and sustain for a long run. The survival of the Retail companies are largely depends on the Profitability.

SCOPE OF THE ARTICLE

The following scopes are listed after considering all the importance factors

1. The article covers only top three listed Retail Companies of NSE
2. The study is only based on 18 months data, which includes 9 months data of during Covid-19
3. It will rank the companies on the basis of Profitability

LIMITATIONS OF THE ARTICLE

The study has certain limitations which are listed below,

1. The article is based on secondary data
2. The study includes only top 3 Retail Companies listed in NSE
3. It only studies the profitability aspects

CONCLUSION

The researchers conclude the following based on the applied statistical tools and techniques,

1. There exists a significant effect of Covid-19 on the Net Profit of Future Retail Limited, Aditya Birla Fashion & Retail Limited and Avenue Super Mart Limited. Hence rejecting the null hypothesis no. 1.
2. There exists a significant effect of Covid-19 on the Operating Income of Future Retail Limited, Aditya Birla Fashion & Retail Limited and Avenue Super Mart Limited. Hence rejecting the null hypothesis no. 2.
3. There exists a significant effect of Covid-19 on the Return on Equity of Future Retail Limited, Aditya Birla Fashion & Retail Limited and Avenue Super Mart Limited. Hence rejecting the null hypothesis no. 3.
4. Net profit of the Avenue Super Mart Limited is highest followed by Aditya Birla Fashion & Retail Limited and Future Retail Limited.
5. Operating Income of the Avenue Super Mart Limited is highest followed by Aditya Birla Fashion & Retail Limited and Future Retail Limited.
6. Return on Equity of the Avenue Super Mart Limited is highest followed by Aditya Birla Fashion & Retail Limited and Future Retail Limited.

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