



An Analysis Of The Financial Statements Of Avenue Supermarts Ltd (D – Mart); A Five Year Trend Review

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Abstract: This project analyzes the financial performance of Avenue Supermarts Ltd. (D-Mart) over a five-year period using key financial ratios. It assesses the company's liquidity, profitability, and efficiency to determine its financial health and operational strength. The study focuses on ratios such as current ratio, net profit ratio, operating ratio, stock turnover ratio, and fixed asset turnover ratio, which reflect D-Mart's ability to manage short-term obligations, generate profits, control costs, and utilize assets effectively. The findings show strong liquidity and efficient inventory management, though fluctuations in profitability and operating costs highlight areas for improvement. The study concludes that D-Mart maintains financial stability with scope for enhanced performance through better cost control and strategic planning.

Keywords: Liquidity, Profitability, Efficiency

I.INTRODUCTION

This project focuses on analyzing the financial performance of Avenue Supermarts Ltd. (D-Mart), a leading player in India's retail sector, over a five-year period. Financial statement analysis is a key tool in evaluating a company's financial health, profitability, and operational efficiency. D-Mart, founded by Radhakishan Damani, has built a strong presence through its low-cost, high-volume business model, offering a wide range of products at competitive prices. As a publicly listed company, it provides transparent financial data that supports meaningful analysis. The study uses ratio and trend analysis to assess performance and identify strengths and weaknesses in areas such as liquidity, profitability, and asset management. Given the dynamic nature of the Indian retail industry, marked by urbanization, rising income levels, and intense competition, this analysis provides insights into how D-Mart navigates market challenges and opportunities. The objective is to understand its financial trends and operational strategies for sustained growth and competitive advantage.

Objective:

- To analyze the profitability of the company.
- To study the solvency position of the company.

II. STATEMENT OF PROBLEM

By using financial statements shareholders cannot find out how management employs resources and whether they use them properly. It does not give complete information. A business manager needs to find the root of the problem before it can be solved. The financial statements may not be telling the whole story about the health of the company. Every effort has been made to conclude relevantly and suggest for the best performance of the company.

III. RESEARCH METHODOLOGY TOOLS AND TECHNIQUE USED

The analysis has been made through secondary data

- Current Ratio
- Net Profit Ratio
- Operating Ratio
- Stock Turnover Ratio
- Fixed Assets Turnover Ratio

LIMITATION OF THE STUDY

- The financial statement provides only quantitative information of the company. It fails to provide qualitative information.
- It does not analyze the changes in price level of different items of financial statements.
- It does not show many factors that affect the financial condition and potential profitability of a company.
- This study is based on the financial statement prepared by the company. The limitation of financial statements are also applicable to the study.

IV. ANALYSIS AND INTERPRETATION

TABLE SHOWING CURRENT RATIO

Table 1

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2019 - 2020	2292.27	721.81	3.18
2020 – 2021	3960.89	1071.85	3.70
2021 - 2022	3351.14	1094.29	3.06
2022 - 2023	5337.41	1332.87	4.00
2023 – 2024	6060.28	1876.35	3.23

From the above table, it is observed that during the year 2021, the company's liquidity position improved as the current ratio increased from the previous year. However, in 2022, the ratio declined, indicating a decrease in liquidity and potential challenges in meeting short-term obligations. In 2023, the ratio showed a significant rise, suggesting better financial stability and improved management of current assets. The year 2024 saw a slight decline, but the company still maintained a strong liquidity position.

TABLE SHOWING NET PROFIT RATIO**Table 2**

YEARS	NET PROFIT	NET SALES	NET PROFIT RATIO
2019 - 2020	1,349.89	24,702.99	5.46%
2020 - 2021	1,165.31	23,804.38	4.90%
2021 - 2022	1,616.17	30,377.01	5.32%
2022 - 2023	2,556.40	41,868.67	6.11%
2023 - 2024	2,694.92	49,569.69	5.44%

The Net Profit Ratio was 5.46% in 2020 and declined to 4.90% in 2021, indicating reduced profitability. It improved to 5.32% in 2022 and peaked at 6.11% in 2023, suggesting better cost control or revenue growth. However, in 2024, the ratio declined slightly to 5.44%, implying increased expenses or margin pressures despite higher sales.

TABLE SHOWING OPERATING RATIO**Table 3**

YEARS	OPERATING COST	NET SALES	OPERATING RATIO
2019 - 2020	1,349.89	24,702.99	5.46%
2020 - 2021	1,165.31	23,804.38	4.90%
2021 - 2022	1,616.17	30,377.01	5.32%
2022 - 2023	2,556.40	41,868.67	6.11%
2023 - 2024	2,694.92	49,569.69	5.44%

The Operating Cost Ratio remained high, fluctuating between 92.97% and 94.24% over five years, indicating that a major portion of revenue was spent on operating expenses. The ratio peaked at 94.24% in 2021, showing high cost pressures, but improved slightly to 92.97% in 2023 before rising again to 93.60% in 2024.

TABLE SHOWING STOCK TURNOVER RATIO**Table 4**

YEARS	COST OF GOODS SOLD	AVERAGE STOCK	STOCK TURNOVER RATIO
2019 - 2020	25,299.18	1,909.43	13.25
2020 - 2021	24,564.55	2,167.33	11.33
2021 - 2022	31,152.39	2,586.89	12.04
2022 - 2023	42,842.60	3,055.56	14.02
2023 - 2024	51,052.50	3,723.43	13.71

The D-Mart's stock turnover ratio fluctuated from 11.33 in Mar-21 to 14.02 in Mar-23, indicating fluctuations in inventory efficiency. The ratio for Mar-20 was 13.25, fell to 11.33 in Mar-21, went up to 12.04 in Mar-22 and saw the peak value in Mar-23 at 14.02. In Mar-24, it fell a little to 13.71, indicating high turnover. Overall, D-Mart indicates good management of inventory with regular movement of stock.

TABLE SHOWING FIXED ASSETS TURNOVER RATIO**Table 5**

YEARS	NET SALES	NET FIXED ASSETS	FIXED ASSETS TURNOVER RATIO
2019 - 2020	24,702.99	5,718.88	4.32
2020 – 2021	23,804.38	6,629.35	3.59
2021 - 2022	30,377.01	8,732.62	3.48
2022 - 2023	41,868.67	10,758.01	3.89
2023 – 2024	49,569.69	12,933.79	3.83

The fixed assets turnover ratio declined from 4.32 in Mar-20 to 3.48 in Mar-22 due to higher asset investments. It improved to 3.89 in Mar-23 but slightly dropped to 3.83 in Mar-24, indicating stable efficiency. The fluctuations suggest increased infrastructure investments affecting asset utilization. Overall, there is a balanced approach to asset management and sales growth.

v. FINDINGS

- The company's highest current ratio is 4.00 in the year 2023, which indicates a strong liquidity position. However, it is not consistently increasing, as it declined to 3.23 in 2024.
- The Net Profit Ratio was highest at 6.11% in 2023 and lowest at 4.90% in 2021. It declined slightly to 5.44% in 2024, showing a need for better cost control.
- The Operating Ratio fluctuated between 92.97% and 94.24% over five years, peaking in 2021, which indicates high operational expenses.
- The Stock Turnover Ratio peaked at 14.02 in 2023 and declined slightly to 13.71 in 2024, indicating good inventory management.
- The Fixed Assets Turnover Ratio was highest at 4.32 in 2020 and declined to 3.48 in 2022 before stabilizing at 3.83 in 2024, suggesting fluctuating efficiency in asset utilization.

VI.SUGGESTIONS

The company's liquidity position has to be maintained through effective management of current assets and liabilities. Net profit margins must be increased through rationalisation of expenditure and enhanced operating efficiency. Optimum use of fixed assets for maximum revenue generation is to be ensured by the company. Operating expenses must be controlled in order to increase the operating ratio and overall profitability.

VIII.CONCLUSION

The study work was undertaken with a view to evaluating the financial performance of Avenue Supermarts Ltd.(D-Mart) through ratio analysis and trend analysis. The findings indicate that the company has had a satisfactory liquidity position and asset management over the years. Trends in solvency and profitability ratios that fluctuate indicate a need for improved cost management and financial planning. With the envisaged improvement, the company can enhance profitability and maintain growth. On the whole, Avenue Supermarts Ltd.(D-Mart) has presented sound financial performance with potential to improve through efficient financial management.

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