A Study on Financial Performance Analysis of Avenue Supermarts Ltd. (D-Mart) (FY2020 –FY2024)

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ABSTRACT

Avenue Supermarts ltd. (D-Mart) has established itself as one of india's most successful retail chain, driven by its low operating model, strategic expansion and focus on everyday low prices. Given its reputation for consistence profitability and operational excellence, The study aim to conduct a comprehensive financial analysis of D- Mart over five year FY2020 - FY20224. The analysis will primarily focus on key financial indicators including profitability, liquidity, solvency, and operational efficiency, Alongside ratio analysis, the research utilizes trend analysis to track financial development over time, concentrating specifically on revenue growth, margin consistency, and return measures. This enables an evidence-driven assessment of whether D-Mart's financial outcomes reveal significant enhancement or alteration when divided into various time periods (e.g., pre-pandemic versus post- pandemic years).

The information for this research has been mainly obtained from D-Mart's released annual reports, official stock exchange documents, and validated financial databases. This thesis enhances the scholarly and professional comprehension of assessing financial performance in India's retail industry. The findings are significant for various stakeholders, such as prospective investors, retail strategists, financial advisors, and policymakers, who aim to evaluate the financial feasibility and sustainability of organized retail entities.

In summary, Avenue Supermarts Ltd. stands as a standard in the Indian retail sector for fiscal responsibility, sustainable development, and ongoing value generation. This study demonstrates that a solid financial plan, along with operational discipline, can enable retail companies to succeed in a more competitive and ever-changing market.

KEYWORD: Retail Industry, D-Mart, Profitability Ratio, Liquidity Ratio, Efficiency Ratio, Financial Analysis

INTRODUCTION

COMPANY OVERVIEW : Avenue Supermarts Ltd., known by the brand D-Mart, is among India's most prosperous and rapidly growing retail chains in the organized industry. Established by Mr. Radhakishan Damani, a prominent value investor and entrepreneur, D-Mart launched its initial store in Powai, Mumbai in 2002. Throughout the years, the company has expanded to manage more than 300 stores throughout India (as of FY2024), spanning a retail space of millions of square feet.

Avenue Supermarts Limited. (D-Mart) functions on an economical, highly efficient business model focused on providing consistently low prices and ensuring operational straightforwardness. The firm concentrates on a restricted range of stock-keeping units (SKUs), primarily essential and rapidly moving consumer products, which aids in optimizing operations and lowering overhead expenses. By focusing on private-label items in specific categories and fostering strong supplier connections via bulk buying,

The period from FY2020 to FY2024 has been particularly eventful for the retail sector, marked by challenges such as

the COVID-19 pandemic, supply chain disruptions, and shifts in consumer behavior. Despite these challenges, D-Mart has demonstrated resilience, maintaining steady revenue growth and profitability. For instance, the company's revenue increased from ₹23,996 crore in FY2020-21 to ₹49,722 crore in FY2023-24, with net profit rising from ₹1,165 crore to ₹2,695 crore during the same period

D-Mart obtains advantageous discounts that are relayed to customers. By owning the majority of its stores instead of leasing them, the strategy reduces long-term rental costs and boosts profitability. D-Mart divides its offerings into three main categories: food items (staples, dairy, snacks, drinks), non-food FMCG products (personal care, cleaning products), and general merchandise and clothing (apparel, utensils, appliances, home textiles). The firm utilizes a large-format hypermarket approach, positioning its outlets mainly in residential and semi-urban regions to remain reachable to its intended clientele. Expansion occurs via a cluster-based approach, consolidating the firm's presence in a region prior to advancing to another, thereby enhancing supply chain efficiency and logistics operations.

STATEMENT OF THE PROBLEM

The retail industry in India is experiencing swift changes due to the rise of organized companies, shifting consumer tastes, and heightened competition. In the mindset of this evolving environment, Avenue Supermarts Ltd. (D-Mart) has become a prominent entity recognized for its economical approach and consistent profitability. Nevertheless, due to escalating operational expenses, technological upheaval, and the vigorous growth of rivals like Reliance Retail and Spencer's, it is crucial to closely assess D-Mart's financial condition. There is a scarcity of thorough academic studies that employ financial ratio analysis to assess a company's performance over time and contrast it with industry standards. This research aims to address that gap by examining essential financial indicators of D-Mart from FY2020 to FY2025, thus uncovering its strengths and weaknesses while providing insights into its financial resilience and sustainability within the competitive retail landscape

REVIEW OF LITERATURE

(Sai Shruthi Vaigunta Moorthy, 2020) Retail sector is the backbone of any community. It provides the basic necessity of human beings or help them process it, i.e food and many other products like apparel, electronics and home product".

The ratios the researcher adopted for their study for comparison are liquidity parameters like quick ratio, current ratio, return on asset (ROA), Return on Equity, which acts as a indicators of profitability of an organization net profit margin and Inventory turnover ratio.

(Banerjee, 2017) The paper recommended that developing retail condition in India is by all accounts influencing the introduction and Indian retailing is confronting a move. He recommended that retailers in shopping centers need to take up the undertaking of exhibiting the esteem included by the store- the arrangement of the store could be the prime driver.

(Malliswari.M, 2007) The paper indicated that Indian consumer is now sowing the seeds for an exciting retail transformation that he already started bringing in larger interest from international brands/formats. With the advent of these players, the race is on to please the Indian customer and it's time for the Indian customer sits back and enjoys the hospitality to be integrated like a king.

(Mr.A.David, 2021) The study used 5years of D-mart industries available secondary data and main objective of the study is to find out the growth aspect of the organization in respective 5 years. The various tools like current ratios, liquidity ratios , solvency ratios, profitability ratios are used to arrive at the findings and to provide valuable suggestion that helps the organization to have a look into the growth aspects of the organization .The study reveals that there was gradual rise and fall in the growth of the company during the study period and was satisfactory.

(Dr. Tapesh Dubey, 2023) The retailing industry is currently booming in India, and is considered to be as good as the IT industry. One of the most well-known retail companies in India is D-MART, which is known for its low prices and high quality products. It has branches all over the country. It started with the Food-First format but most of its outlets now include multiple items.

RESEARCH METHDOLOGY

RESEARCH OBJECTIVE

Given D-Mart's prominence in the Indian retail sector and its consistent financial performance, a detailed analysis of its financial statements from FY2020 to FY2024 is warranted. This study aims to:

- Evaluate D-Mart's financial healthusing key financial ratios, including profitability, liquidity, and efficiency metrics.
- Assess the company's financial trends over the specified period to identify patterns and areas of improvement.
- To annotate the financial statements of D - Mart for the last 5 financial years.
- To assess D mart operational efficiency through the interpretation of key financial metrics.

RESEARCH DESIGN

The research design serves as the blueprint for systematically collecting, analyzing, and interpreting financial data related to Avenue Supermarts Ltd. This study adopts a **quantitative, descriptive, and comparative research design**, relying exclusively on **secondary data** from financial and industry sources.

1. Nature of the Study

This is an analytical study based on historical financial data from FY2020 to FY2024. It focuses on measuring and interpreting D-Mart's financial performance using standard ratio analysis and statistical tools. It also involves comparative elements to position D- Mart's performance within the retail sector.

2. Type of Research

- **Descriptive Research**: To describe the financial status, trends, and patterns of D-Mart over time.

3. Time Frame of Study

- **Study Period**: Five financial years, from **FY2020 to FY2024**, encompassing both pre-pandemic and post-pandemic phases for balanced insights.

4. Data source

Secondary Data: Collected from:
- Annual reports of Avenue Supermarts Ltd. (FY2020–FY2024)
- Official filings and stock exchanges (e.g., NSE, BSE)
- Financial databases (e.g., Screener.in, Moneycontrol.com, bse.in)

LIMITATION OF THE STUDY

The current research, although thorough in its examination of Avenue Supermarts Ltd. (D- Mart) is bound by specific restrictions.

To begin with, the study depends exclusively on secondary data obtained from public annual reports and financial databases, which might not consistently represent the latest or most comprehensive financial situation due to delays or insufficient disclosure.

Secondly, the examination centers mainly on numerical financial ratios and overlooks qualitative aspects like management choices, client satisfaction, or brand allegiance, which also greatly affect a firm's performance.

Another constraint stems from the incomplete or unavailable financial information of major competitors such as Spencer's and Big Bazaar, particularly due to organizational shifts and market departures, which limited a more equitable comparative analysis.

Additionally, the research does not extensively consider external economic factors like inflation, variations in interest rates, or shifts in government policies that may affect retail operations.

DATA ANALYSIS

RATIO ANALYSIS:

Ratio analysis acts as an essential tool in financial assessment, providing a systematic method for understanding a company's financial reports.

Through analyzing the connections among different financial metrics, stakeholders can obtain valuable insights regarding a company's operational efficiency, profitability, liquidity, and solvency.

A key benefit of ratio analysis is its capacity to enable comparisons—both historically and among industry competitors. For example, trend analysis allows analysts to monitor a company's performance over various periods, revealing patterns or irregularities that could signify potential problems or advantages. In the same way, comparing with industry benchmarks aids in evaluating a firm's competitive stance and operational efficiency.

Additionally, ratio analysis supports strategic decision-making. Managers can use these ratios to identify areas needing enhancement, like inventory control or debt management, and take corrective actions as needed. Nonetheless, it is crucial to recognize the constraints that come with ratio analysis. Ratios are obtained from past financial data, which might not reliably forecast future outcomes. Furthermore, variations in accounting policies and practices can influence the comparability of ratios among different companies. Consequently, although ratio analysis is an effective tool, it ought to be combined with other analytical techniques and qualitative evaluations to create a complete perspective of a company's financial well-being

## LIQUIDITY RATIOS : CURRENT RATIO

Year	March 20	March 21	March 22	March 23	March 24
Current ratio	3.17	3.69	3.06	4.00	3.24
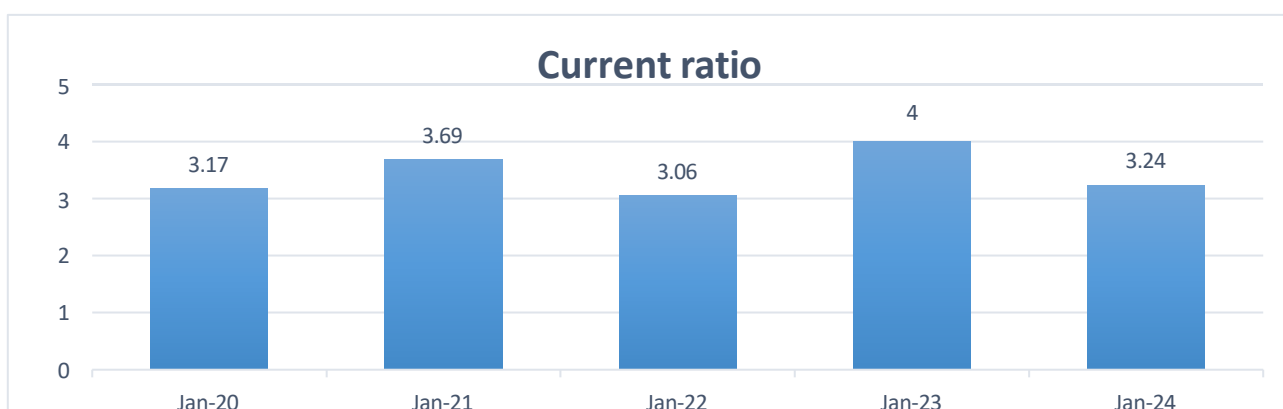
Interpetation: From (FY20 to FY24) , D Mart maintained a strong current ratio ranging between 3.06 and 4.00, consistently above the ideal 2:1 benchmark. The ratio peaked at 4.00 in FY23, indicating a robust liquidity position, and dipped to 3.06 in FY22, still reflecting healthy short-term solvency. Overall, the company demonstrated effective management of current assets and liabilities throughout the period.

QUICK RATIO :

| Year	March 2020	March 2021	March 2022	March 2023	March 2024
Quick Ratio	0.53	1.67	0.70	1.71	1.25
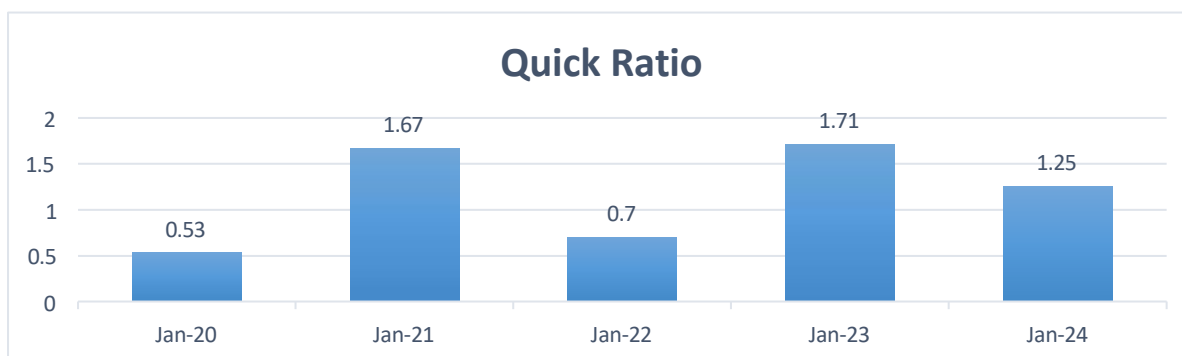
Interpretation: Between (FY2020 and FY2024), Avenue Supermarts Ltd.'s quick ratio fluctuated, reflecting variations in its short-term liquidity position. The ratio stood at 0.55 in FY2020, improved to 1.64 in FY2021, then dipped to 0.57 in FY2022, rose again to 1.50 in FY2023, and slightly decreased to 1.15 in FY2024. These changes indicate the company's efforts to manage its liquid assets effectively to meet short-term obligations.

**PROFITABILITY RATIO:**   NET PROFIT RATIO:

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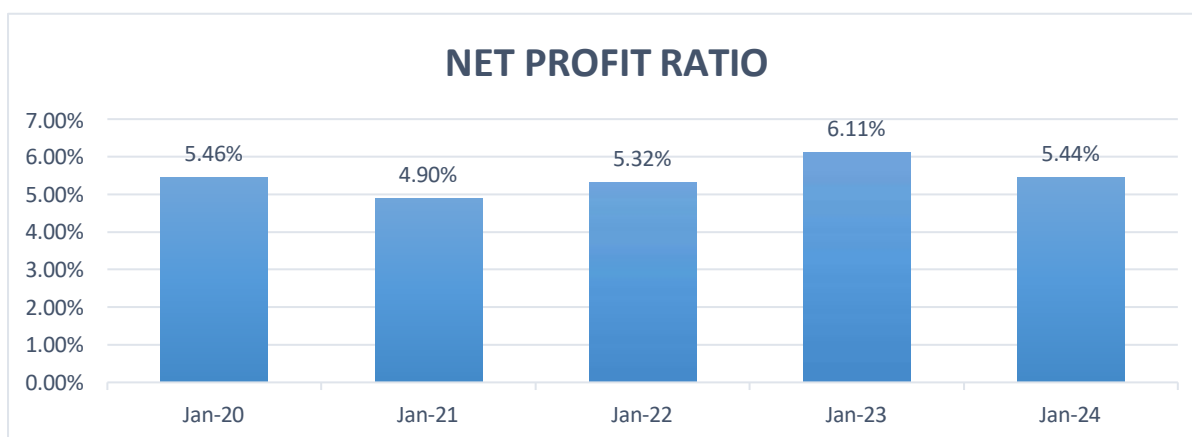
Interpretation: The Net Profit Ratio was 5.46% in 2020 and declined to 4.90% in 2021, indicating reduced profitability. It improved to 5.32% in 2022 and peaked at 6.11% in 2023, suggesting better cost control or revenue growth. However, in 2024, the ratio declined slightly to 5.44%, implying increased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

NET OPERATING RATIO:

YEAR	March 2020	March 2021	March 2022	March 2023	March 2024
N.O Ratio	95.48%	102.89%	95.91%	94.79%	95.70%

Net Operating Ratio
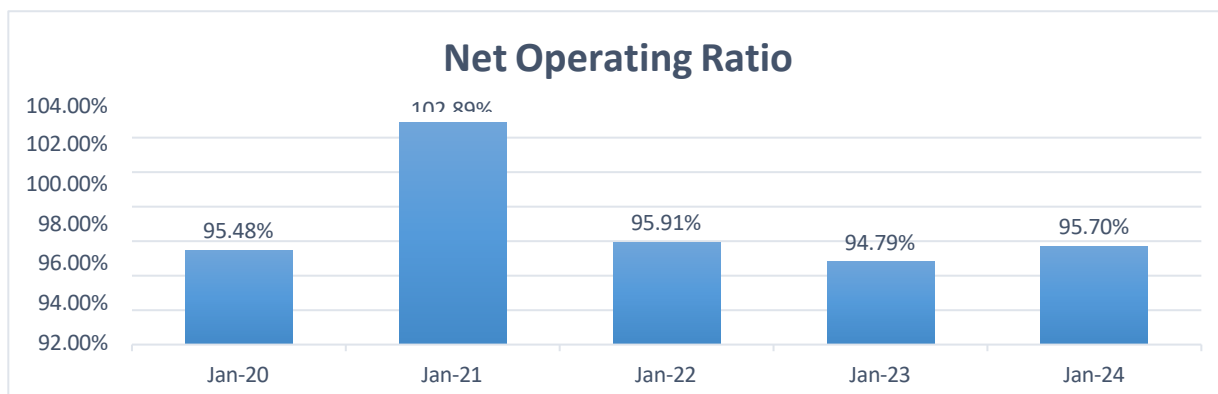
Interpretation: The net operating ratio of Dmart fluctuated slightly between FY 2020 and FY 2024, reflecting operational cost changes. It showed efficiency in FY 2021, peaked in FY 2023 due to increased costs, and improved in FY 2024, indicating better cost control.

RETURN ON ASSEST:

Year	March 2020	March 2021	March 2022	March 2023	March 2024
ROA	11.17	8.53	10.45	14.01	12.49

ROA
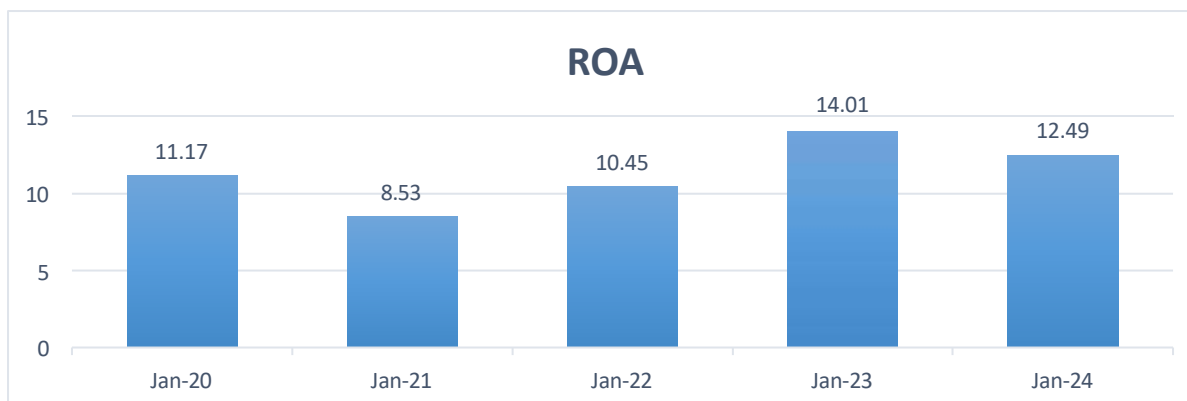
INTERPRETATION: The ROA fell from 11.17% in FY2020 to 8.53% in FY2021, likely because of operational difficulties. It subsequently rose to 10.45% in FY2022 and reached a high of 14.01% in FY2023, demonstrating better asset utilization. In FY2024, the ROA experienced a slight decrease to 12.49%, indicating a small drop in asset efficiency.

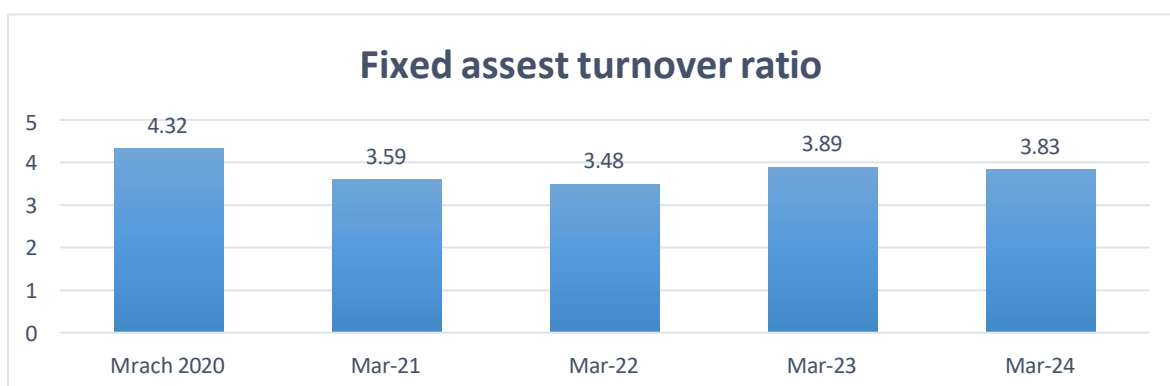**EFFICIENCY RATIO :** STOCK TURNOVER RATIO

YEAR	March 2020	March 2021	March 2022	March 2023	March 2024
Stock turnover ratio	13.25	11.33	12.04	14.02	13.71

INTERPRETATION: 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 felt a little to 13.71, indicating high turnover. Overall, D-Mart indicates good management of inventory with regular movement of stock.

FIXED ASSETS TURNOVER RATIO:

| YEAR	March 2020	March 2021	March 2022	March 2023	March 2024
Fix, A T ratio	4.32	3.59	3.48	3.89	3.83

INTERPRETATION: 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

Trend Analysis of Key Financial Metrics

Year	REVENUE	NET PROFIT	OPERATING EXPENSES	INVENTORY LEVEL
FY 2020	27,739	1301	645	3000
FY 2021	23,996	1099	746	3200
FY 2022	30,493	1493	805	3500
FY2023	41,996	2378	1,116	4000
FY2024	49,722	2563	1,323	4500
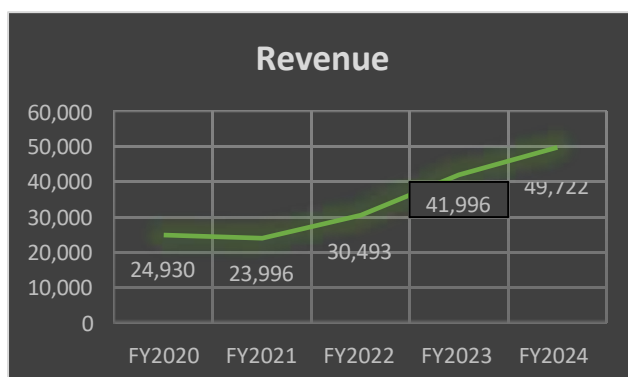
Inerpretation : DMart's revenue experienced a slight decline in FY2021, likely due to pandemic-related disruptions. However, subsequent years show a strong recovery and growth, with revenue nearly doubling from FY2021 to FY2024. Net profit dipped in FY2021, reflecting the challenges faced during the pandemic. The subsequent years exhibit a strong recovery, with net profit nearly doubling by FY2024 compared to FY2021. This trend underscores improved operational efficiency and profitability.
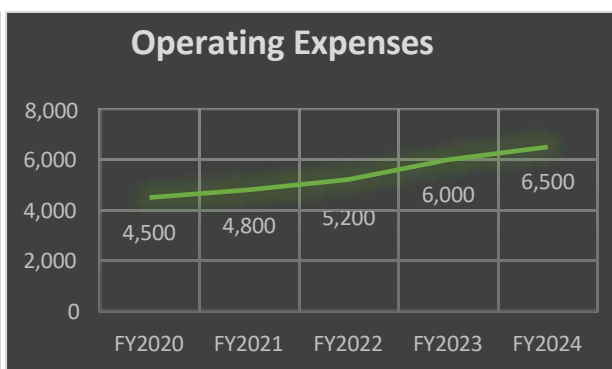
Interpretation: Operating expenses have steadily increased over the years, which is expected with business expansion. However, when compared to revenue growth, the proportionate increase in expenses appears controlled, indicating effective cost management, inventory level : Gradual build-up to support higher sales, FY2021–FY2022 (+9.4%) modest stocking ahead of reopening , FY2023–FY2024 (+28.6%) aligns with network expansion.

SUGGESTION :

An enhancement in ROA over time signifies more effective utilization of company assets. To enhance this return even more, D-Mart must concentrate on capital efficiency and refrain from over-investing in assets that are not performing well.

Enhance Same-Store Sales Growth (SSSG): SSSG decreased from 24.2% (FY23) to 9.9% (FY24); prioritize promotions and customer satisfaction to increase revenue at current locations.

Enhance Profitable Product Categories: General merchandise and apparel account for approximately 22.4%; boost variety and promotion of these areas. Boost E-commerce Expansion (DMart Ready): Online engagement remains restricted; enhance reach, optimize delivery, and invest in technology

Optimization of Operational Expenses : Margins fell to 8.1% in FY24 (down from 8.5% in FY23), reflecting increasing expenses. Embrace automation in warehouse management, inventory monitoring, and in-store operations, Consolidate purchasing to enhance negotiation leverage with vendors, Enhance energy efficiency and cost management in utilities and logistics.

CONCLUSION:

This research has thoroughly examined the financial performance of Avenue Supermarts Ltd. (D-Mart) throughout the five-year span from FY2020 to FY2025 employing essential financial ratios and comparative methods. The results indicate that D-Mart has upheld a solid financial standing, marked by consistent liquidity, strong profitability, and efficient operational performance. The Current Ratio and Quick Ratio indicate that the company possesses adequate short-term assets to meet its obligations, confirming financial strength. Profitability metrics like Net Profit Margin and Return on Assets (ROA), demonstrate

strong margins and effective capital utilization for generating profits. Efficiency indicators such as the Inventory Turnover Ratio and Fixed Asset Turnover Ratio showcase D- Mart's efficient supply chain, effective inventory management, and optimal use of fixed assets. These strengths stand out especially considering the upheavals caused by the COVID-19 pandemic, during which D-Mart Showcased robust recovery and operational stability.

To sum up, Avenue Supermarts Ltd. demonstrates fiscal responsibility and operational superiority in India's dynamic and competitive retail market. The results of this research provide important insights for stakeholders including investors, financial analysts, retail strategists, and policymakers. They also highlight the significance of a disciplined financial strategy, effective supply chain management, and strategic placement in achieving sustainable growth. Future research could examine how digital transformation and omni-channel retailing affect D-Mart's financial dynamics, alongside its performance amid evolving consumer behaviours and regulatory changes.

APPENDIX

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