**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**

**Diploma Thesis**

# Financial Analysis

Bata Shoe Company Private Limited.

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## Declaration

I declare that I have worked on my diploma thesis titled "Financial analysis of Bata Show Company Private Limited" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on date of submission ___________________________

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# ABSTRACT

In a financial analysis, there exist tools, ratios or instruments, (which might be linked in some manner, or free from any affiliation whatsoever) which are used to dissect and evaluate the company's finances; and if practicable, put forth assumptions or deductions – as the case may be – to ascertain whether or not the firm is progressing in a positive direction. However, to be more specific, the mechanisms used in financial analysis usually are used to perform evaluations on the functioning and operation of said company, and the course towards the performance thereof is inclined. A financial analyst, to all intents and purposes, seeks to transform the available data into sets of figures or statistical end results; these financial metrics facilitate the task of decision making. The study being conducted looks to perform a substantive analysis of the financial status of Bata India and to also make assessments on what impacts are exerted on the business's sustainability by its financial position. Furthermore, in financial statements, the aftermath of the control, and utilization of the resources placed under the jurisdiction of the management is reflected. In a quest to reach the slated goals, the financial statement presents information and, in some cases, the needed statistics on the subject of a firm's liabilities, assets, equity, revenue and expenditure (inclusive of the profits and losses), the company's cash flows, contribution by and distribution to owners in their capacity as owners.

In India, Bata India sits pre-eminently as the foremost manufacturer and biggest retailer of footwear; the company is however a daughter organization which stems from the Bata Shoe Organization. To achieve this, a set of parameters (financial instruments) referred to as financial ratios were used in conducting the study. The research places particular focus on five of the financial ratio types which include; the profitability ratio, activity ratio, liquidity ratio, market/valuation ratio and ventures into the leverage ratio to some extent. The research works with the instruments over the course of 10-business years.

It is however worthy of mention that the 10 business years do not follow consecutively for the fact that the company had a 15-month business year from the start of 2014, and closed in March, the next year. This goes to show that Bata India still could improve on how they go about their business. In terms of performance, they showed some glimpses

of excellence with some profitability ratios and activity ratios. The firm does not look to be in any serious debt, and enjoys a very high potential of repaying its creditors.

Keywords :- Financial analysis, Bata India, business sustainability, ratio analysis, financial position, performance, assets and creditors

ABSTRAKTNÍ

Ve finanční analýze existují nástroje, ukazatele nebo nástroje (které mohou být nějakým způsobem propojeny nebo zcela bez jakéhokoli spojení), které se používají k pitvání a hodnocení financí společnosti; a pokud je to proveditelné, předložte předpoklady nebo srážky - podle okolností - abyste zjistili, zda firma postupuje pozitivním směrem. Abychom však byli konkrétnější, mechanismy používané ve finanční analýze se obvykle používají k provádění hodnocení fungování a provozu uvedené společnosti a směřování k jejímu výkonu je nakloněno. Finanční analytik se ve všech směrech a pro všechny účely snaží přeměnit dostupné údaje na soubory údajů nebo konečné statistické výsledky; tyto finanční metriky usnadňují rozhodování. Prováděná studie má za cíl provést věcnou analýzu finančního stavu společnosti Bata India a také posoudit, jaké dopady má finanční stabilita na udržitelnost podnikání. Dále se v účetní závěrce odráží důsledky kontroly a využití zdrojů spadajících do jurisdikce vedení. Ve snaze dosáhnout stanovených cílů účetní závěrka předkládá informace a v některých případech i potřebné statistiky týkající se závazků, aktiv, vlastního kapitálu, příjmů a výdajů (včetně zisků a ztrát), hotovosti společnosti toky, příspěvek a distribuce vlastníkům jako vlastníkům.

V Indii Bata India zaujímá přední postavení jako přední výrobce a největší prodejce obuvi; společnost je však dceřinou organizací, která vychází z organizace Bata Shoe Organization. K dosažení tohoto cíle byl při provádění studie použit soubor parametrů (finančních nástrojů) označovaných jako finanční ukazatele. Výzkum se zaměřuje zejména na pět typů finančních poměrů, které zahrnují; poměr ziskovosti, poměr aktivity, poměr likvidity, poměr trh/ocenění a do určité míry se pouští do pákového poměru. Výzkum pracuje s nástroji v průběhu 10 obchodních let.

Je však třeba zmínit, že 10 obchodních let za sebou nenasleduje skutečnost, že společnost měla 15měsíční obchodní rok od začátku roku 2014 a byla uzavřena v březnu příštího roku. To ukazuje, že Bata India se stále může zlepšit ve svém podnikání. Pokud jde o výkon, ukázali některé záblesky excelence s některými poměry ziskovosti a poměry aktivity. Firma nevypadá, že by byla v nějakém vážném dluhu, a má velmi vysoký potenciál splácení svých věřitelů.

Klíčová slova :- Finanční analýza, Baťa Indie, udržitelnost podnikání, poměrová analýza, finanční situace, výkonnost, aktiva a věřitelé

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# 1. INTRODUCTION

## 1.1 Brief Introduction of Bata India

In India, Bata India sits pre-eminently as the foremost manufacturer and biggest retailer of footwear; the company is however a daughter organization which stems from the Bata Shoe Organization (Bata India, 2021).

Initially in 1932, the company was launched under the name: Bata Shoe Company Private Limited (albeit in 1931) as a small-scale enterprise in Konnagar close to Calcutta. The very first building for Bata's operation had its foundation laid in January 1934, currently called the Bata. In subsequent years, the area occupied by the building was doubled in its entirety. The community is now recognized far and wide as Batangar. Also, it is interesting and important to note that it became the pioneering manufacturing facility to receive the ISO: 9001 certifications in the entire shoe industry of India.

Until 1973 when it took up a new name: Bata India Limited; the company did not get publicized. In present times, Bata India had built a reputation for itself, and established a foothold for itself as the largest retailer of footwear in India. The company now boasts a far and wide reach that other companies in the footwear business would struggle to equal; many thanks to the formidable retail network made possible by over 1375 stores scattered across the nation. The stores are strategically posited and located; the said stores can be found in metropolitan areas, towns and mini-metros.

The stores put in place by Bata have a nouveau, unique aura; this is well augmented by the top-notch products the company churns out. In reeling out these merchandises, Bata looks to dish out an unprecedented, nonpareil shopping experience to its customers (Bata India, 2021).

Also, the firm runs an extensive non-retail network for distribution by way of its oppidan wholesale division and pander to customers numbering around millions, via 30,000 dealers.

Asides stores which it owns, the Bata brand is also made available by the agency of a far-reaching nexus of dealers. The name Bata, has over the years become closely associated with and is now regarded as an emblem of unrivalled quality; Bata also has made a name for itself as a reliable provider of footwear for Indian consumers. For this reason, Bata has morphed into a very much in demand brand; this has however not stopped them from continuously chasing down goals and objectives. With the combination of new products, ingenious, avant-garde experiences for consumers with the brand and the highly effectual brand positioning, the company preserves its reputation as a brand that reeks exuberance and boldness (Bata India, 2021). In conjunction with an exquisite concoction of design, affordability and comfort, its strong devotion to quality attached to products further affirms the stance of Bata as the foremost brand for footwear in the whole of India. With every passing season, the company takes into consideration the local, and global fads with regards to fashion; in a continuous endeavour to offer consumers a collection with uniquely different taste.

So, taking above details into account, Bata is the most prominent maker of footwear globally, with stylish and comfortable footwear designs at affordable prices that come with astonishment. At the moment, Bata still keeps its status as a family business that caters to the needs of more than a million customers on a daily basis, with its 5,300 stores; and engaging in local production in the 23 manufacturing facilities it possesses – these facilities are dispersed across five continents (Bata India Annual Report, 2018). Even with the fact that it is a global organization with its nerve centre located in Switzerland, the brand meets the demands of locally situated customers in countries of Europe, Asia, Africa & Latin America. The resource strengths enjoyed by India in the mould of the supplies and the adept workforce, serve as a comparative advantage for the nation. The ever-growing use and multiplicity of footwear is gradually causing a corresponding surge in demand; this hints at possibilities of greater success, in terms of development, in years to come for the footwear industry (Bata India Annual Report, 2018). Notwithstanding the actuality that Tier I cities have been brand-oriented from time, Tier II and Tier III cities have begun to draw level with them; and for that reason, it is expected that the sales of products with brand names sees a momentous growth at some point in the future which attracts me to select Bata company.

However, the market of footwear in India is predicted to have a growth rate of double digits, and that consequently by the year 2022, the total market would be valued at around Rs. 72,000 crores having a CAGR of 11%. It is believed that the branded footwear would bring together significant amount of market share; this would however be augmented by the growth occurring concurrently in organized and online retail sale. Interestingly, branded footwear takes up a percentage of 45% in the aggregate market share, whilst unbranded footwear on the other hand edges it with the rest 55% of the market share. However, in the instance of retail taking place online, the brands are also introducing a product range specially set aside for online channels into the market; the purpose of this is to create a disparate avenue from that employed in offline channels (Bata India Annual Report, 2018). The brands apply data analytics for the development of the trade. In addition to the above, online sales of footwear is also forecasted to have its development in high double figures.

The increasing population in the country and persistent demand has seen India occupy a position as the second biggest manufacturer of footwear across the world, next only to China. Also, coming after China and the USA in the hierarchy, India takes a place as the third largest consumer of footwear globally. Going by the estimations made, over 80% of the goods are utilized within and around the domestic market region (Bata India Annual Report, 2018). Furthermore, the market has been subject to growth and development of international brands in the country, and the admittance of top echelon brands that deal in formal products and sportswear to.

Amongst Indians situated in the metropolitan regions, the evolution in lifestyle, increasing cognizance for fitness and health has given rise to an expansion of the Indian fitness footwear industry. Accordingly, products such as accessories, apparel and a myriad of fitness equipment have now been designated as top priority commodities of utmost importance in the Indian market, consisting chiefly of branded fitness footwear. The fitness footwear sector is expanding at a constant rate, and is expected to have a meteoric rise between 2019 and 2021.

Be that as it may, the trends as regards the footwear industry in India, are gradually shifting and gravitating towards a model built on fashion, style, and fitness from the original stance centred on the needs of the people. Also, there is a prospect of it being able to grow and broaden its share in the global market of footwear export. As the

lifestyles continue to evolve, and the growing affluence, it has been estimated that the growth rate would take a boost and become more rapid than the frequency recorded in the decade that passed.

Opportunities and Threats

Together with the increasing rivalry with which it is faced from players in the industry – both on a domestic and global scale -, the changes that have taken place in the external business milieu has created some hindrances to growth in subsequent times. The company is carrying out the requisite actions to ensure such growth. The activities being performed by the company would be undertaken to best its rivals; majorly, it entails directing focus towards churning out elegant, a la mode and comfortable products with excellent quality and durability.

Amidst all the sub-divisions existing, the Sports and Kids aspects are some of the sectors expanding with greater rapidity than the others; ergo, footwear brands now tend to delve into these aspects more. In this vein, the company looks to use the formidable brands which it possesses ("Power" and "Bubblegummers") to their optimal potentials; and in addition to that put stores with exclusive concept to the test. Another aspect from which an opportunity can be drawn lies in the betterment of the consumers' experience; taking the prestige accompanied with the products up a notch by replacing the low-priced, unbranded products with the branded variety that are more lifestyle-oriented. It is safe to say that the company is poised to make the most of the vogue; coupled with the brand image that preaches a goal-driven motive, a retail range of operation that cannot be matched by other brands, and a vast array of acknowledged brands.

The stores are now witnessing increasing rates of footfall, ever since the introduction of innovative varieties in conformity with the modern trends for men's and women's collections as well as a radiant line for consumers that fall in the teenage category. Also, worthy of mention, is the infusion of scope of products for the sports and fitness aficionados. Predictions suggest that the brick-and-mortar retail industry would be faced with strong contention from the business industries that incline towards the innovativeness offered by digital platforms. In its endeavour to intensify the focus placed on the technology employed to relate with consumers, the company has, in over 400+

stores, launched a complete set of Omni-Channel solutions. To this end, the firm has also fortified the interface and experience it offers consumers online.

Business Overview

With regards to its retail business, the company has employed a methodology of simultaneously pushing for the growth and development of same store and the integration of new retail stores in Malls and locations in the heart of town, in a bid to strengthen and diversify its footprint in the retail industry (Bata India Annual Report, 2018). The aforesaid expansive new stores are posited in the budding of various parts of the country and are set up on the groundwork of Red Angela Store design which was conceptualized to be applied on a global scale. In India, the newly created stores have come to be the reflection of what Bata stands for; and at the same instance, serve as an inaugural touch point for consumers to have a feel of 'Surprisingly Bata'. It is made up of austere, smooth lines of design conception; it, to all intents and purposes, applies two colours – red and white – which, taken as a couple, are inimitable emblem for the Bata Brand.

There is no doubt that the company would keep on investing some of their resources in the refurb of the existing stores, consequently providing the consumers with an unforgettable shopping escapade. It plans to do this by enhancing the structural set-up of the emporiums, and highlighting the key merchandise present in the retail stores. The strategy of the firm is to direct undivided attention towards the gradual expansion of the brand; and by way of magnificent windows, in-store activities and augmenting products and lines that were recently reeled out. Withal, the company also places some amount of focus on the improvement of the customer service offered within the stores (Bata India Annual Report, 2018). They aim to do this by dishing out training programmes to store staff on a regular basis. Also, to this effect, the company has kickstarted a program tagged "Store Excellence Program", which seeks to better the experience of the consumers within and around the stores and also enhance parameters that apply to the dealing of business whilst doling out customer service that can only be classified as top-notch.

By the end of the financial year which happened to fall on March 31, 2019, it was seen that the company had set off 71 new Bata retail stores, 51 Franchisee stores and ensured the reconstruction of another 47 stores across the country. Also, some 14 stores were relocated in this same span, and 28 stores were completely closed down.

A wide variety of Brands which fall under the auspices of Bata, take Power & Bubblegummers as a case in point, have continually been consolidated; with these same schemas being tested in other separate locations. At the moment, three Power & Bubblegummer stores are now in full-fledged operations around India. In addition to the above, a new conceptualization in the form of Bata Woman has undergone some form of examination or assessment with two stores in the region of Bengaluru. The stores having recently developed, innovative ideas are looking to set up shop with new segments for consumers as time passes on.

## 1.2 Goals of the Research

Each and every business organization ventures into the activity with a preponderant aim to accrue profit or gains. However, the mere intentions do not validate successful operation of the business; in that the business could, just as easily, suffer losses, shortfalls or deficits, consequentially causing liquidation to be the final point of the company's evolution (Bebbington and Unerman, 2020). To this end, for a business to thrive, there should be contrivances, schemas with which the company would keep track of certain evident trends or patterns, be it the ones that might incur major losses and shortcomings for the business in the long run, or the positive developments that may well suggest progression for the enterprise.

This methodology is presented in the concept of financial analysis, which is premised upon the use of various ratios and techniques (that may or may not be interconnected) to carry out scrutinous analysis on the company's finances; and make an eventual deduction to indicate what direction the company's development is channelled through: positively or down an unfavourable path (Bebbington and Unerman, 2020). Well, the financial analysis is highly linked with the management and control the activities like planning, auditing and controlling them which contributes towards development for the future and also to support them and increase the further role in financial controls (Cornelia et al. 2011). However, to be more specific, the mechanisms used in financial analysis usually are used to perform evaluations on the functioning and operation of said company, and the course towards the performance thereof is inclined. A financial analyst, to all intents

and purposes, seeks to transform the available data into sets of figures or statistical end results; these financial metrics facilitate the task of decision making.

The analyst is then tasked with the provision of proper, well-structured responses to inquiries on the amount of success the company has recorded by virtue of the performance as compared to the contending enterprises in the same environment; the prospective performance to be expected from the company in the coming years. Also, the analyst is to provide an answer to what the company's value is; or the securities put out by the company, on the basis of expectations with regards to the running of the company in time to come (Dutescu, 2000).

Primarily, information concerning a company could be extracted from the annual report of the company; this is, without doubt, inclusive of the notes and financial statements, and reviews on the finances and operation of the business or dissertations and evaluations provided by the company's management (denoted as management commentary).

Further, the financial analysis initiates the budgets and linked with the transaction that sustain the performance which analyse it with the time and enough to generate profit and monitor the monetary values (Znachor et al. 2020).

Having stated the above, the totality of details required to conduct an efficacious analysis of the company's finances cannot be possibly be squeezed into the financial reports, therefore it is not the sole source of data for this procedure. Inasmuch as information pertaining to present status quo of its finances (which consists of, but is not limited to owners' equity, liabilities and its assets) along with the company's operation in bygone times (here, the revenue accrued, cash flows and suchlike) is contained in the company's financial statements, they still fail to supply the essential, and relevant data required to perform a critical assessment, or conjecture what the future holds (Znachor et al. 2020).

Therefore, it is imperative that the financial analyst possess the capacity to merge the extracts from the financial statements with subordinate data to lay out predictions, and draw valid inferences. The supplementary information to be concatenated with the existing financial reports might come in the mold of statistics relating to the industry, economy, companies dealing with similar services or products or enterprises that share the market, and of course secondary information from the organization.

# 2. OBJECTIVES AND METHODOLOGY

## 2.1 Objectives of the Research

The research is directed to be developed with two key objectives where the first us to determine the financial status of Bata India where the financial statements, income statement, ratio analysis will be discussed. The second objective is to evaluate the impact of the financial position on the sustainability of business which is done with the help of financial statements, determining the ratio analysis, cash flow statement and balance sheet items will be used to know the actual position of the company.

## 2.2 Methodology

In this research, a quantitative approach will be adopted to analyse and explore the financial situation in Bata India over the course of 10 years – from the year 2010-2020. It is however important to note that subsequent to 2013, when the business year closed in the month of December, the firm moved onto a 15-month business year calendar which ended in the month of March 2015 (Fryer et al. 2018). From there on, it reverted to the usual 12-month business year [from March 2015 – March 2016, and so on.]

The parameters that would be used in evaluating the financial status include: SWOT analysis, Trend analysis, Horizontal and Vertical analysis, Ratio analysis – liquidity ratio, profitability ratio and leverage ratio.

The quantitative form of analysis is premised upon mathematical, econometric, statistical and other algorithmic methodologies to collect, and group data for the purpose of drawing inferences.

There are two major methods which could be applied in a financial analysis. First, there is the fundamental technical analysis method which essentially entails absolute ratios analysis, cash flow analysis, proportion ration analysis, differential ratios analysis, system of ratios analysis; here, basic arithmetic operations and indicators are utilized which implies simpler calculations, speed and ease in computations.

On the second part, there is the higher financial analysis method which applies more complex mathematical processes and approaches; on the whole, it involves Mathematic-statistic methods (Statistic tests, Regression simulation are common instances) and non-statistic methods (Expert systems, Fuzzy sets, for example).

## FÓRMULAS USED IN THE STUDY

### Horizontal Analysis

The formulas laid out below could be used in the calculation of annual changes:

Equation 1: Absolute changes

**Formula 1:**

**The formula for absolute changes**:

Dt/t-1 = Bi (t) – Bi (t-1).

Where Dt/t-1 = the change as opposed to the last year;

t – time;

Bi – the value of an element in the financial statements.

Equation 2: Relative changes

**Formula 2:**

**The formula of relative changes (in %)**: $\frac{It}{t-1} = \frac{Bi\ (t)}{Bi\ (t-1)}\ x\ 100$ (2)

where: It/t-1 – index;

T – time;

Bi - value of an element in the financial statements.

Horizontal analysis can be also called the *comparative or trend analysis*. Horizontal analysis ("the lines") presents a comparison of the various changes of the items recorded in the financial statements in chronological order. That analysis helps us to determine the percentage by which each item changed from the last year or how much the individual item has changed in absolute terms (Kislingerová, 2005). Also referred to as comparative or trend analysis, horizontal analysis, characterized by lines, brings forth a juxtaposition of the varying changes of the items accounted for in the financial statements in order of

time – usually yearly (as it would be in this research). We can then ascertain, by virtue of this analysis, the margin by which a certain item has varied from the preceding year, in terms of absolute values or percentages (Kislingerová, 2005).

The above formula elaborates that fraction value describes the size of the definite changes with the comparison of the actual value. Well, the relative changes are equal to the actual values changes i.e., reference value = new value = reference value. Well, the modified value shows as indicator among the first period and percentage terms which values the dividend part in the initial period and taken out the percentage terms. Although, the above formula mentioned is quite simple and derived as subtracting the initial value from the variable and once the final value disclosed, then it can divide with the initial value which can finally multiply by 100 and express in percentage.

To truly conduct the analysis to obtain near-accurate results, one must take cognizance of the following:

- The amount of data sets available should be sufficient, a minimum of two (yearly) periods is permitted.
- A chronological comparability of the data for the company being researched should be feasible.
- If the evasion of any external, unplanned influences on the development of certain items is practicable. (Kislingerová, 2005)

**Vertical Analysis**

Equation 3: Vertical analysis

**Formula 3:**

**Formula of percentage analysis**:

$$I_i = B_i / \Sigma B_i \times 100,11 \quad (3)$$

where: $I_i$ is the index;

$B_i$ is the value of an item in the financial statements;

$\Sigma B_i$ – sum of all values of all items.

The method is based on observations of individual item of the financial statement as a percentage to the selected single base referred as 100%. This analysis is sometimes called

as the structural analysis. In order to analyse e.g. the balance sheet, as the basic (100%) is chosen the sum of total assets (or total liabilities, equity) that is measured in the terms of the particular item. In the case of the analysis of profit and loss account, the total revenue is taken as the base. The method of percentual analysis can be conveniently used to compare the financial statements of the company in the longer term to ensure comparability of data. Moreover, it can also serve as a guide for planning activities regarding to results from that analysis (Kislingerová, 2005)

The above formula is percentage based which illustrates "per hundred" and symbol which is used in it expresses the percentage which is denoted as %. Well, the number is divided with the whole number by 100. This formula is quite similar to horizontal analysis but it compares with the selected base or period year. While the vertical analysis formula are useful for demonstrating and comparing with the financial statements over the numerous year and it reveal the modifications and arises across the time.

## RATIO ANALYSIS

Equation 4: Stock turnover ratio

**Formula 4:**

**Activity ratios** $$Stock\ Turnover = \frac{Average\ Stock}{Revenue} \times 365 \qquad (4)$$

The stock turnover ratio is competence which evaluates the inventory and its management. The formula measures the cost of goods sold (COGS) which divides by entire amount or with the average inventory to illustrates the sold inventory in particular financial year. Also, the ratio can be demonstrated as level of inventories which can be compared with the sales transactions. Thus, it shows the efficient working of the inventories which measures with the sales and portrays the inventory management skills of the organisation.

Equation 5: Receivables turnover ratio

**Formula 5:**

$$Receivables\ turnover = \frac{Average\ stock\ of\ short\ term\ receivables}{Revenue} \times 365 \qquad (5)$$

The above ratio is receivable turnover ratio which is accountable for measuring the organisation quantify effectiveness in gathering the account receivables or money which is owned by potential clients and customers. This ratio is measures which the organisational resources which use and manage the credit and extension to the customers and manage the short-term debts which can be collected on payment due date on higher account receivables. Well, the compares the organisational ratios with its peers within the same business industry and par with their competitors.

Equation 6: Liabilities turnover ratio

**Formula 6:**

$$Liabilities\ turnover = \frac{Average\ stock\ of\ short\ term\ liabilities}{Revenue} \times 365 \qquad (6)$$

The above-mentioned ratio i.e., liabilities turnover ratio explains that organisation or company can written off its account payable in particular accounting year. It is considered as short-term debts which owes by the company to its vendors, suppliers and creditors. The ratio shows the efficiency of the company to manage and written off their debts by paying suppliers. This section consists current liabilities which indicates number of days from the day when liabilities ascend till the moment it written off.

Equation 7: Last term asset turnover ratio

**Formula 7:**

$$Long\ term\ asset\ turnover = \frac{Revenues}{Average\ stock\ of\ long\ term\ assets} \qquad (7)$$

The asset turnover ratio0 estimates the worth of an organizations in revenue and incomes comparative with the value of other resources. This ratio can be utilized as a indicator of the productivity which an organization is utilizing its assets for buying or producing of other assets and resources for generating income. The higher assets, the more proficient an organization is at creating income from its assets. Well, if the organisation has a low assets turnover proportion, it indicates that assets are not using properly or effectively for generating sales and revenue.

Equation 8: Asset turnover ratio

**Formula 8:**

$$Asset\ turnover = \frac{Revenues}{Average\ stock\ of\ assets} \qquad (8)$$

Asset Turnover ratio is a productivity part that shows how well or proficiently a business utilizes fixed resources to create future deal and assets. This ratio participates with the net assets by net fixed resources, determined in particular accounting period. The net fixed assets incorporate the measure and evaluation of property, plant, furniture and fixtures, and imposed accumulated depreciation. By this, a higher fixed assets proportion concludes more usage of interests in fixed resources for produce income. This ratio is frequently examined keenly by the organisation and generate productivity.

Equation 9: Return on sales

**Formula 9:**

**Indicators of Profitability**

$$Return\ on\ sales = \frac{net\ income}{income} \times 100 \qquad (9)$$

The return on sales ratio is measured the organisational efficiency which values insights of company like how much profit generated in particular accounting year. With the increase return on sales, it indicates that company is expanding efficiently while the return on sales can impending the financial difficulties. Thus, the return on sales can linked with the operating profit margin.

Equation 10: Operating return on sales

**Formula 10:**

$$Operating\ return\ on\ sales = \frac{Operating\ profit}{income} \times 100 \qquad (10)$$

Equation 11: Shares of added value in revenues

**Formula 11:**

$$Share\ of\ added\ value\ in\ revenues = \frac{added\ value}{income} \times 100 \quad (11)$$

The value in expression explained at "value added" depicts the financial upgrade an organization gives its items or products just to offer to the potential clients and customers. Value added clarifies that organizations can sell their products to the companies for more than they cost to create. Enhancing some values in products and services is vital as it gives customers a motivation to make buys, hence expanding an organization's income and primary concern.

Equation 12: Return on Assets

**Formula 12:**

**Indicators of Liquidity**

$$\boldsymbol{Return\ on\ assets\ (ROA) = \frac{Net\ profit}{Assets} \times 100} \quad \textbf{(12)}$$

Return on Assets ratio indicates return on investment (ROI) which metrics the evaluation on the productivity and profitability of business relation in the entire asset. Well, the company can perform by comparing the net income (profit), and generalise the capital investment through its assets. By getting higher returns with great productivity and effective use of management, it can utilise the economic resources of the company.

Equation 13: Return on equity

**Formula 13:**

$$Return\ on\ equity = \frac{Net\ profit}{Equity} \times 100 \quad (13)$$

The above-mentioned ratio is return on equity which measures the company annual return (net income) which can divided by the entire value of their total shareholders' equity, and stated as percentage. Further, the return on equity is divided in two parts where the derivation comes up with the income statement and in next in showed in the final balance sheet. Also, the number which are represents in the return on equity capital expresses the company's ability to handle and manage its investments in profits and measure the profit which earn from the shareholder's equity.

Equation 14: First level liquidity

**Formula 14:**

$$1st\ Level\ Liquidity = \frac{Current\ financial\ assets}{short\ term\ foreign\ sources} \quad (14)$$

The above ratio is 1st level liquidity which determine company's performance and ability to written off its short-term arrears and help to determine the company's existing, liquid assets to recover from the current liabilities.

Equation 15: Second level liquidity

**Formula 15:**

$$2nd\ level\ liquidity = \frac{Current\ financial\ assets + Short - term\ obligations}{Short - term\ foreign\ sources}$$

The above-mentioned ratio is 2nd level liquidity ratio which evaluate the company performance in terms of adequate money or identical have current resources which can pay or have more option to written off its debts. Thus, the liquidity ratio in business raises the issue for enough cash and manage the existing resources and easily paid its debts obligation.

Equation 16: third level liquidity

**Formula 16:**

$$3rd\ level\ liquidity = \frac{Current\ assets}{Short{-}term\ foreign\ sources} \quad (16)$$

The 3rd level liquidity comprises ratios and surplus information which explains the banking activity within particular market for raising the funding sources. Generally, it designed to arrange huge deposits, interbank market and offshore market activities. Thus, the banking activity exposure for the liquidity risk which disrupts the potential markets.

## DATA COLLECTION

The data (which is publicly accessible) to be used in this study is collected directly from the website of Bata India. The researcher will access a variety of financial instruments

which include but not limited to the balance sheet, income statement, and cash flow statement.

# 3. THEORITICAL PART

As stated by Michael Duck, 2.65% of world trade in leather and leather products is in India's control. Adding to that, he asserted that the nation is primed and in excellent position to come into light as a power house as regards world trade; in view of the fact that the government has set the export target between the years 2010-11 to be at or around $7 billion 43 (Kumar, 2014).

A record has been put in place by the footwear sector. Annually, the production has surpassed 2,095.3 lakh pairs; since 2003, such peak of figures has not been attained. However, it is worth stating that as the demand for these products overseas intensified, a corresponding upsurge was witnessed between 2006 and 2007.

In preserving the progressive movement for the seventh successive year, a 6.4% rise was seen in the leather footwear industry by March (2007) in India. However, following the fall registered in the previous year, the rubber footwear industry made a comeback onto the scene, growing by 12.4%. The executive director of an organisation established for footwear exporters in the country to identify with, V Alexander of the Indian Shoe Federations stated that with states from the northern region sitting closely behind, a massive chunk – around 40 - 50% - of the footwear production in the country was accounted for by the southern states (Kumar, 2014). Also, the demand within the confines of the country is yet to attain its peak. This might be down to the irregular trend; in which the demand sometimes inclines towards the medium-priced footwear from lower priced ones, and those at the high end.

This sector kept on thriving, achieving a formidable impetus with the trade for the end of 2007's first quarter, March 31st. The cumulative sales amassed by a quintuplet of footwear firms evinced this assertion; seeing as they recorded a 15.6% upturn over the preceding quarter. Some of the top players in the footwear sector are Bata India, Mirza International, Sarup Tanneries and Liberty Shoes. The outcome of the powerhouse brands' efforts to restructure the infrastructure they employ for retail services, came out positive (Balaban et al. 2021). In the very first quarter (closing in March), Bata India registered a surge in the net profit growth by 14.5%. The restructuring exercise conducted by the firm commenced in February 2007, with an initiative of Rs. 3.7 crore.

Quite a large number of footwear companies are operating in a tie-up mode. Be that as it may, Bata India is holding talks with Reliance Retail to contrive a business plan, or pact as the case may be. Also, it has been discovered that India is seeing an influx of low-cost footwear from neighbouring countries and other nations in Asia like Nepal, Indonesia, Vietnam and Malaysia. Subsequent to the consolidation of the anti-dumping duties pertaining to the footwear coming from China, which saw the original figure of 47% ascend to 67%, the frequency with which footwear imports penetrate the Indian market from the Chinese mainland has begun to decline in a corresponding manner (Menon, 2007).

### 3.1. Economic Analysis

An economic analysis always compares a base case – the expected present and future situation without the project – and the project alternative. Without this comparison, it would be impossible to determine whether the external effects are beneficial. When the term "benefit" is used in economic analysis, it refers to the change in external effects that can be attributed to the project (Hausman et al. 2016).

### 3.2. Financial Analysis

A financial analysis estimates a project's profitability from the standpoint of an investor. A financial analysis compares the project's costs to the expected revenue over the project's lifespan (Kotulič et al. 2007). This includes financing costs as well as taxes/subsidies exemplifies the elements of a financial analysis.

The financial analysis's goal is to demonstrate the project's ability to generate a sufficient return on investment to be appealing to investors. The Net Present Value and the Internal Rate of Return are commonly used to present the results of a financial analysis (Schroeder et al. 2019). Investors will also be interested in the Debt Service Coverage Ratio in order to assess the project's financial risk.

### 3.2.1 HORIZONTAL ANALYSIS

To truly conduct the analysis to obtain near-accurate results, one must take cognizance of the following:

- The amount of data sets available should be sufficient, a minimum of two (yearly) periods is permitted.
- A chronological comparability of the data for the company being researched should be feasible.
- If the evasion of any external, unplanned influences on the development of certain items is practicable. (Kislingerová, 2005)

## 3.3. Financial Statements

As stated in a study by Beatty and Liao (2014), accounting is the process of evaluating, summarising and communicate with the financial terms which classify and determine accounting information for the stakeholders and for the business managers. Well defined and accurate information enables the organisation to take decisions and estimate projects for future results in terms of financial expansions, analyse several streams for the business and accumulate the business potential.

Ohlson (1999) explained financial statement as a written account, which essentially exists as a breviary which synopsizes the status of a firm's finances over a specific period of time. Also, it consists of an income statement and a balance sheet/statement of the firm's financial situation; this provides an elucidation of the resources, gains or deficits – as the case may be – and the sharing or retention of profits.

Profitability, as asserted by Palepu et al. (2020), is the capacity of a business entity to accrue income through profits. However, this concept could be evaluated by carrying out a computation of a variety of the necessary parameters which would comprise of the ratio of net sales to assets, the rate received on total assets and suchlike.

In accordance with the statements of Harrison Jr et al (2014), the financial accounting is the methods of analysing the accounting aspects of the reporting and summarising the

accounting transaction in the particular accounting year. Well, it includes the transactions through balance sheet, income statement and cash flow statements which review the accounting documents of the organisation or corporation. The financial accounting runs with the ethics and values which carries some standards and developed with the accounting regulatory and reporting with the demands in the company.

The rate of return on investment (ROI) is a test of management's efficiency in using available resources. This review is organized under the following sub-heads for ease of comprehension. The rate of return on Investment (ROI) is a measure of how efficacious the management proves to be in utilizing the resources at their disposal.

As an appendage to the above, it can be stated that financial statements are a well though-out, organized outline of where a firm stands, and how well it is being operated, or has performed over a stipulated period. What a financial statement aims to achieve is to provide details of the organization's financial status quo, the operation of the firm's finances, as well as its cash flows; the information made available could be put to use by a broad scope of users to make evaluations and come to conclusions in economic situations.

Furthermore, in financial statements, the aftermath of the control, and utilization of the resources placed under the jurisdiction of the management is reflected. In a quest to reach the slated goals, the financial statement presents information and, in some cases, the needed statistics on the subject of a firm's liabilities, assets, equity, revenue and expenditure (inclusive of the profits and losses), the company's cash flows, contribution by and distribution to owners in their capacity as owners (Palepu et al. 2020).

Also, it is worth mentioning that a comprehensive, all-inclusive set of financial statement should comprise of: A statement of financial status quo as at the end of the period; a statement that provides a detailed account of income for the period; a report that dishes out changes in equity for the period; a statement of cash flow for the period; proceedings of account which contains a synopsis of relevant guidelines for accounting along with a couple of additional descriptive information; and ultimately should hold a statement of financial position at the time when the earliest comparative period kicks off; that point when the entity puts an accounting policy into effect with the benefit of hindsight, or alternatively puts out a reflective restatement of some elements contained in the financial

statements it has created, or when the firm reclassifies some components that make up the financial statement (Van Auken and Carraher, 2013)

In a study conducted by Pistor 2013, the fundamentals of finance are relying upon the information, generation of revenue, assets and liabilities which help the growth factors which analyse the company's stability and demonstrate the viability of investment. Also, the finance market is structured in such a way that place among the public and private market. Well, the financial market is frequently put up with the comments which enrich with the laws.

Employers require financial statements to reach collective bargaining agreements (CBA) with the management; as evidenced in the case of labour unions, or for individuals in the midst of discussion pertaining to their compensation promotion and rankings.

The Owners and Managers apply financial statements in the activity of making crucial decisions that could spell doom, or open avenues of breakthrough for the organization's operation. Subsequent to this, a financial analysis is conducted on the reports provided in the financial statements in order that the management better comprehend the figures and statistical data contained in the financial statements. Moreover, these précises are incorporated into the annual report tendered by the management to the stockholders.

Prospective investors, on the other hand, use financial statements to perform evaluations as regards the practicability of investing in a business venture. Much like what is obtainable in the case of "owners and managers", investors also utilize financial analysis (prepared by specialists referred to as financial analysts); this gives them the required pieces of factual data, which helps them make decisions concerning investments. Thus, with the portfolio investment, the business can take financial assets that help the business to grow and list profit with the time and get accessible return. It enables to take the ownership of assets and written off the liabilities which directly affect the investment part and later include them in active management role (Reilly and Brown, 2011).

Government entities, tax authorities to b especial, could do with financial statements to determine the property and correctness of taxes and other duties which a firm declares, and recompenses.

For financial institutions, the application of financial statements is also on the basis of decision making. Banks, and other lending corporations settle on whether or not to grant

a firm fresh capital to kick-start operations, or extend debt securities (take debentures or a long-term bank loan for instance) in a bid to fund organizational expansion and a number of additional expenditures of great consequence.

Vendors also use financial statements, to weigh up, or examine the credit worthiness of the business.

Also, other groups of individuals that show interest in getting hands on a company's financial statements are the media and general public. They have need of an entity's financial statements for a number of reasons.

Every business owner that pays due attention to their firm should innately, in an instinctive manner be able to decipher where the firm/business venture is headed; how well the business is thriving.

According to Beatty and Liao (2014), financial accounting is responsible for organisational working and following the culture which includes gathering, maintaining the data in detecting the trends, and also fulfil the future needs. Also, the financial part enables the business to state the statements, effective communication and provide relevant information to the company leaders and circulate the accounting background. The financial information regulates reports with the valuation of capital earnings and manage the discretion for taking out the decisions. Well, there are some challenges which are linked with the accounting prediction and control capital regimes.

With virtually no thought processes concocted or calculations made, a true business owner has the ability to roughly give an account, at any point in time during the month, of the level of proximity of the firm to hit the figures budgeted. Without any doubt, cash in bank plays a role. It, however turns out that that is not all there is to it.

There exist three key types of financial statements. Individually, and as a whole in most cases, each one provides vital details with respect to the degree of efficiency and effectiveness with which the firm is being run.

Income statement, balance sheet/statement, and statement of cash flow are the very fundamental ones, and perhaps the most significant statements of the firm's finances that give forth an explanation of the company's performance/operation in terms of quantitative data. That said, in footnotes, are embedded a qualitative interpretation of the

foremost transactions and the policy of accounting implemented in the process of fabricating the financial statements. Companies that are publicly traded circulate their financial statements on a quarterly basis. Besides that, accounting application analysis the opportunity which have chaos and complexity which administrate the monetary values and ready to apply with new thinking and thought process (Ju&arez, 2014).

Further, the accounting theory solely work with principles and standards which contributes towards the development and expansion of the organisation. Also, it collectively works for reaching creative values and open diversity for the interpretative accounting role (Coetsee, 2010).

## 3.4 Ratio Analysis

### 3.4.2 INDICATORS OF PROFITABILITY

On some occasions termed as indicators of profit/return or profitability ratio, indicators of profitability are carved out as a quotient of the final product yielded by business activity (output), and the comparative base (input; the denominator) which could be placed on the segment of the equation with the assets, along with the liabilities part, or as a ratio to a different base. The indicators of profitability depict the positive or negative effect, as the case may be, exerted on asset management, the business subject's financing and liquidity with respect to profitability (Kislingerová, 2007, 83).

For the reason that they signify how much revenues in whatever currency of money, say EUR for example, cases per a single unit of the same currency of indicator stated in the denominator. Due to the fact there exists a multiplicity of indicators of profit; only those that are considered the most crucial would be touched on. All in all, the prioritized indicators would be explicated as they should. Here, the indicators of profitability utilized most frequently would be highlighted thus (Baran et al. 2016).

Explained by the return on sales indicator, is the manner with which the business subject puts input to use to perform their efficacious activities. A number of elements have impacts on the final value of the return on sales ranging from price policy, nature of

business operations, production regulation and suchlike. In its more precise mode, the statement of this indicator brings forth a ratio of fractional outcomes of the business subject's management to their revenues (Baran et al. 2016).

According to Farkasova (2007), the return of income profitability indicator (of total capital) juxtaposes what becomes of business activity and the volume of capital invested. Also, it denotes the valuation of total capital which has been channelled into activities of operation by the business subject. Through the assessment of the portion of the equity dealing with capital, a process of profit distribution set in motion after tax. The business subject has the liberty to affect the profit distribution after tax, provided that some sine quibus non have been ratified by the general assembly (Afrino and Erni, 2019). These conditions include: the expansion of capital, retention of profits after undistributed tax; and ultimately in the case where PLCs are concerned, the repayment of dividends.

The business subject is commissioned to recompense the lender with a certain portion of the capital, by way of capital valorisation. Time and again, it is stated in professional literature that an indicator level reference should and cannot be higher than the interest rate of loans sourced on a long-term basis (Al Karim and Alam, 2013).

The level of return on equity is strongly dependent on the return on assets and on the interest rate of borrowed capital. The increase of the indicator ROE mostly depends on the level of the business subject's created profit, on a drop-in interest rate of the borrowed capital, on a decline in the equity's share on a business subject's return on assets and a combination of all previous factors (Baran et al. 2016).

For the business subject's owners, a return on equity is of great essence and has a supporting meaning for lenders.

### 3.4.1. ACTIVITY RATIOS

Instruments termed as activity indicators are employed in the aspect of business assets management; this is down to the fact that they are used as some sort of financial gauges to assess the level of efficaciousness with which a business owner runs and handles their resources and assets. The commitment of distinct, singular elements of the capital is

quantified by the business subject in specific kinds of assets (Warrad and Rania, 2015). However, in a case where the business subject possesses more assets than pertinent, superfluous costs which could have been avoided are incurred; to this end, profit is adjusted. On the contrary, where the business subject accrues the fewest amount of assets viable, a loss of income might be the consequence (Baran et al. 2016).

Issues with flows and stocks are detected in the work being carried out, when the indicators of activity are applied (Arsyad et al. 2021). Whilst the profit and loss statement keep account of the costs and revenues in a continuous pattern through a year, the balance sheet reports on the liabilities and assets at a specified period in time. With this process, the organisation takes the relevant information and to take out decision with allocating resources, evaluate them and reward them with the performance. Hence, it is imperative, owing to the smallest deviation from what should actually be, that the calculation gives forth an average using the separate elements contained in the balance sheet.

The duration of stock turnover is only used to indicate the total length of time consumed by a stock turnover. To elucidate on the foregoing statement, it serves as a tool which shows the requisite time used up in the process of converting financial resources, by way of production and resultant products, to exist in its fiscal form again (Warrad and Rania, 2015). Only when the business subject shows a diminishing value of this indicator as time passes is an archetypal state of affairs said to be attained. More often than not, what is implied by a shorter time scale is greater efficiency. That said, it is essential that the nature of the business is taken into consideration (Arsyad et al. 2021). In an alternative approach, in lieu of revenues, the costs can be applied in the denominator.

Shown in the receivable's turnover is the period of time for which business assets can remain the form of receivables or alternatively, a measure of the duration for which the receivables are paid on average. Without an iota of doubt coupled with the fact that it is glaring, the recommended value is the standard time interval taken by invoices to mature; this is due to the fact that a vast majority of the products are consigned with invoices attached to them, and every single invoice would have its own span for maturity. In a scenario where the span of time expended in the receivables turnover has exceeded the standard length of time for invoices maturity; this purports failure to act in accordance with the trade credit policy from business partners.

Be that as it may, it is quite widespread and frequent for the time period for the payment of invoices to go beyond the time stipulated to begin with. It is of utmost significance to take cognizance of the size and scope of the company undergoing analysis. For large business corporations, on grounds of finances, a lengthier span of time for maturity can be tolerated. On the other hand, smaller businesses would seem to struggle with longer spans of maturity for receivables, as dire financial situations could come up; even conundrums as serious as bankruptcy are not ruled out. The time horizon, which could be seen as ideal, is expected to meet up with the prerequisites demanded by the business commercial policy. Thus, the management take care of the financial part with its evaluation of the projects and relates with the finance part which demonstrate with the stable entity and generate profit for enhancing monetary investment (Růčková, 2008).

Till the moment it is paid off, what is exhibited in the maturity of short term liabilities is the time of incurrence. At the very least, the values of receivables turnover maturity should be matched by this indicator (Andriani, 2021). In the procedures of conducting evaluations of incurrence of liabilities till its payment and periodic differences from the time when the receivables are originated, to the point of receipt, the indicators of liabilities turnover maturity and receivables turnover maturity turn out to be very crucial and indispensable. The liquidity of business is impacted in a direct manner by this difference.

So long as the turnover, time of commitment is able to surpass the aggregation of the stock and receivables turnover, the supplier is seen to operate in a paradigmatic condition; one in which the finance receivables and stock are credited. Then again, in this, low levels of liquidity might be mirrored. A tightly knit nexus exists between the level of activity and liquidity, and herein a specific agreement should be sought (Knapková, 2013, 105).

The long-term asset turnover holds considerable relevance in the process of decision making as regards the deliberation on whether or not to procure the subsequent asset for production on a long-term basis (Andriani, 2021). Serving as pointer, a lower value of the indicator than what is normally acceptable denotes that production would need to expand and intensify capacity utilization; furthermore, for the managers of finances to trim down the investments made on business(es).

On a general note, the normal modus operandi applied in asset turnover is that the status quo is evaluated with greater degree of positivity with larger values of the indicator. The least value of asset turnover recommended is 1. It is yet important to state that industry could have an impact on the value of this indicator as well (Andriani, 2021). However, when the value of the indicator is beneath the recommended value (then taken as low), this portends that the asset facilities of a business subject are disproportionate and also that these asset facilities are being underutilized; this only means lower levels of efficiency (Knapková, 2013, 104).

It is worthy of mention that there is an alternative route to go, which entails the substitution of revenues with profits. However, there is a downside to this, as the results obtained may be overvalued; this is due to the actuality that variable sources of income, with no affiliations whatsoever to the core business arrangement, may exist (Tangke, 2021).

Also, it is proper to apply the sales or revenue accrued from the sales of one's own products or the rendering of one's services; or better yet the amalgamation of the two sources of income (Knapková, 2013, 104).

### 3.4.3. INDICATOR OF LIQUIDITY

Liquidity is birthed when all the prospective liquid resources that are on hand for the company to be able to cater to its payment obligations are amalgamated. As stated in a number of literatures (Chiaramonte and Casu, 2017). For instance, solvency is described as the willingness of the business subject to come through with a payment obligation upon which an agreement had earlier been reached as at when due, i.e., the period of reimbursement comes; for this reason, it is set up as one amongst the rudimentary requisites for the company's thriving (Nurwulandari, 2021).

According to Lee et al. (2009), financial analysis includes the information which evaluate the performance and suggest for the improvisation so that company can easily move forward. Also, the financial data are the primary data which take the past data from the existing data and work for the company's improvement for future projections. Thus, the

financial aspects are carried by the experts within the company and raise the operations ahead (Ramlah, 2021).

From the above, we can then infer that there is in fact, a mutual conditioning of the indicators for solvency and liquidity. The proviso that exists in the case of solvency, is to see to it that the business subject merges a certain portion of the assets to the current assets, which so happen to be accessible for recompense obligations, in the mold of short-term financial assets – bank accounts, more often than not (Chiaramonte and Casu, 2017). In addition to this, a conclusion which asserts that the prerequisite for solvency is liquidity, could reached.

Liquidity indicators are fabricated, and exist in a quotient form.

A return on equity is essential for the business subject's owners and for lenders has a supporting meaning. In general, the value of indicators should be higher than the interest rate of risk-free bonds (Černá, 1997, 73).

Without doubt; represented as a ratio of short-term financial assets to short term obligations. The level of activity of liquidity indicators is seen where the assets of the business subject are most liquid; and are segmented as per the extent of liquidity of individual assets – which are outlined in the numerator of the financial statements, the balance sheet, that is. However, the downside of the said indicators is in their nature to make an assessment of liquidity in accordance with balances of short-term assets (current assets). Conversely, the balances of the current assets would be hinged majorly on the cash flow to come at a later period, as stated by Ramya, et al. (2019).

Liquidity of the first level gives an account of the number of times short term financial assets are able to counterbalance the short-term debts of the business subject. What this alludes to is how many times the business subject is able to cater to the demands of their lenders, if a handful of the short-term assets, also referred to as current assets - would be transformed into available assets (Baran et al. 2016).

As asserted by Collis and Jarvis (2002), to ensure that the company prospers, it is imperative that they make payments for short-term obligations from the variety of assets that are set apart for this niche. The company uses the financial information for the view of survival and to identify the sources for financial sector. Well, the financial information has strong influence over the formal methods to control and to use it for planning and

controlling. The 1$^{st}$ level liquidity's meaning is shown so evidently in the case of lenders of business subject's short-term obligations; and brings information as to how many times the short-term elements of capital is sufficient to make up for the value of the asset. Reason being, a risk that their claim would not be reimbursed is taken by lenders. Having said all that, it is almost safe to say that there is a relationship of direct proportionality between the value of the liquidity indicator and the solvency of the business subject; seeing as a higher value of the 1$^{st}$ level liquidity indicator would allude to greater prospect of the business subject's solvency being guaranteed.

The said attribute is accompanied by a great deal of dubiety, due to the fact that its capacity to elucidate Is dependent on how the current assets are structured, the liquidity of the distinct forms taken by current assets; also, of course not forgetting the sort of industry the company in question runs its affairs (Collis and Jarvis, 2002) The monetary values use information for various purpose and to reveal the utility and to contingent upon the company and to manage it for the business.

There is a strong emphasis on controlling cash and monitoring performance in the context of maintaining relationships with the bank. The most widely used and most useful sources of financial information are the monthly/quarterly management accounts and cash flow information in various forms. Multivariate analysis reveals that the utility of the periodic management accounts is contingent upon the size of the business and the receipt of management advice from the auditor/accountant. The findings of this research have important managerial implications for the directors and their advisers.

There is a possibility of employing the immediate financial resources at the disposal of the company (stashed away in bank accounts, and in treasury at times, and without doubt, financial resources of short-term obligations that have not been remunerated), to cover for the short-term obligations of the business subject. In the aforesaid description of the connexion, lies the whole concept of the 2$^{nd}$ level liquidity. In compliance with the stipulations provided in a number of professional literatures, the values should not exceed the range of 1-15.

However, the capability of a company to recompense their obligations with regards to short-term borrowed capital by way of current assets is quantified by Liquidity of the third level. This implies then, that the company is in possession of sufficient short-term

resources that they can employ however they deem fit in the standard running of the business. It is quite vital to point out that the optimal interval recommended here has a maximum value of 2.5, and minimum of 1.5; in addition, as compared to the $1^{st}$ or $2^{nd}$ level liquidity, an increase is observed when there is lower liquidity of supplies. As asserted by Kotulic (2010), the short-term borrowed capital should by no means, surpass two-fifths of the current asset value.

Current assets include the sum of current financial assets, short-term receivables and supplies. Permanent solvency is one of the basic conditions of the business subject's successful existence within the market conditions. Thus, the probability of its maintenance is a reasonable part of the global characteristic of the business subject's financial health.

# 4. PRACTICAL PART

### Income Statement

The income statement gauges the profitability of a firm through a certain span of time. The income is computed by deducting expenses of all kinds from income, in the income statement. Over a specific time, interval termed as the accounting period, the income statement supplies the necessary information concerning the transactions that have transpired (within this very period) (Patrick et al., 2002). Expenses might come in varying forms which could be composed of sales expenses, purchase, administrative expenses, depreciation, income tax paid and amortization expenses. To begin with, calculations to ascertain the gross profit are made by taking the cost of goods sold away from net sales. Cost of goods sold exists as the expenses incurred from the sales of the goods; furthermore, it is vital to note that labour cost, raw materials and overhead expenses incurred for the duration of the sales period all are classified into the category of the cost of goods sold.

To work out the operating income, depreciation, as well as the other administrative and selling expenses are deducted. Payments for the interest and/or amortization is taken out from the operating income; as a consequence, earning before tax income of the entity comes to be. In conclusion, the income tax is reimbursed from the earning before tax, causing the net profit to come into the fray. The management takes a decision on whether or not they are willing to pay dividends; in the event that the final decision sways in favour of paying dividends, the preferred dividends are paid to start with. Subsequently, the dividends of the common stockholders are remunerated. According to Charles and Patricia (1983), the residue income – known otherwise as the retained earnings – are reinvested into the proceedings of the firm's business.

### Balance Sheet

In the balance sheet, a firm's assets, liabilities and equity over a specific period of time are represented; it gives a depiction of the company's financial status at a particular period. The balance sheet is segmented into two sub-divisions of accounts. The first is the assets account, in which the current and fixed assets of the firm are stated, in their entirety, with no ambiguity whatsoever. Cash, market securities, inventories, prepaid

expenses and account receivable are some proper instances of current assets. The current assets, referred to as working capital also, presents the firm with short-term benefits. Also classified as assets are plant equipment, goodwill, property, intangibles, long term investments, note receivable and some other long-term assets. Included in the other sub-category are the liabilities and equity in every form. Chief components of current liabilities would include Accounts payable, accrued expenses, notes payable, short-term debt. Having said that, summing up the current liabilities with the total long-term debt, deferred income tax and minority interest would give rise to the total liabilities. In line with Frank (1989), when the total liabilities are added to the total equity, it yields total liabilities and shareholder's equity, which at all times is equivalent to the total assets.

**Statement of Cash Flow**

Represented in the statement of cash flow, is the inflow, and outflow of cash within the company. Stated in the statement of cash flow is cash brought about as a result of the investing, operating and financing activities going on in the company. In addition to the foregoing, the cash flow statement presents the overall net decrease or increase in whatever cash is in the firm's possession. Patrick et al. (2002) asserts that the cash flow statement gives the investors and creditors a tool with which they can evaluate the firm's capacity to have a cash flow in the positive direction at later times in the future, the capability to cover debt obligations, and provide some form of elucidation pertaining to the cash and non-cash facets of the financial and investing transactions. Activities considered to fall under the category of operating activities are net income, accounts receivable, the increase or decrease in marketable securities, inventory, depreciation, prepaid expenses, account payable, and accrued expenses. Whilst on the other hand, the cash that has any relevance whatsoever to the purchases or sales of fixed assets is classified under the investing activities. On a final note, in the statement of the cash flow report, components such as sales and retirement of notes, preferred and common stock, other corporate securities and bonds are categorized in the financial activities part, according to Timothy and Joseph (2003).

**Footnotes**

An all-inclusive account of the policies and methodologies that have been taken up by the firm is provided in footnotes. It is almost impracticable to truly give forth a financial

statement with very little ambiguity, clear and quite straightforward to understand, without making some elucidations as to the information in the financial statement – due to the fact that all details cannot possibly be included in the main statement. The core aspects involving quantitative data are laid out in the financial statement proper; be that as it may, the footnote gives a key understanding of the financial report in a qualitative manner. In the footnotes, the categories of information made available are segmented into two parts. On one hand, the accounting approach the company opts to adopt in the fabrication of its financial statements. The other kind throws more light on the more crucial, weightier findings in the financial statements, take the income statement and balance sheet as cases in point (Charles & Patricia, 1983).

**The statement of retained earnings**

The retained earnings, of all forms, are duly dissected in the statement of retained earnings. To obtain results for the end of year balance of the retained earnings, the annual net income is combined (in addition) with the balance at the start of the year; then, the dividends are subtracted from the resulting figures of the summation.

However, it should be recalled that revenues and dividends have an impact on retained earnings. Thus, this implies that it is expedient and required that the dividends be included when calculations of year-end retained earnings are being made, since subtracting expenses from revenue gives the net income; therefore, net income is added, and dividends, subtracted.

Table 1: Showing the gross profit ratio and Net profit ratio for Bata India over 10 years

| GROSS PROFIT RATIO | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YEAR 1 (2010) | YEAR 2 (2011) | YEAR 3 (2012) | YEAR 4 (2013) | YEAR 5 (2015) | YEAR 6 (2016) | YEAR 7 (2017) | YEAR 8 (2018) | YEAR 9 (2019) | YEAR 10 (2020) |
| 0.52 | 0.52 | 0.49 | 0.48 | 0.49 | 0.52 | 0.52 | 0.52 | 0.53 | 0.58 |
| **NET PROFIT RATIO** | | | | | | | | | |
| YEAR 1 (2010) | YEAR 2 (2011) | YEAR 3 (2012) | YEAR 4 (2013) | YEAR 5 (2015) | YEAR 6 (2016) | YEAR 7 (2017) | YEAR 8 (2018) | YEAR 9 (2019) | YEAR 10 (2020) |
| 7.65 | 14.81 | 9.39 | 9.30 | 8.67 | 9.10 | 6.41 | 8.52 | 13.46 | 11.21 |

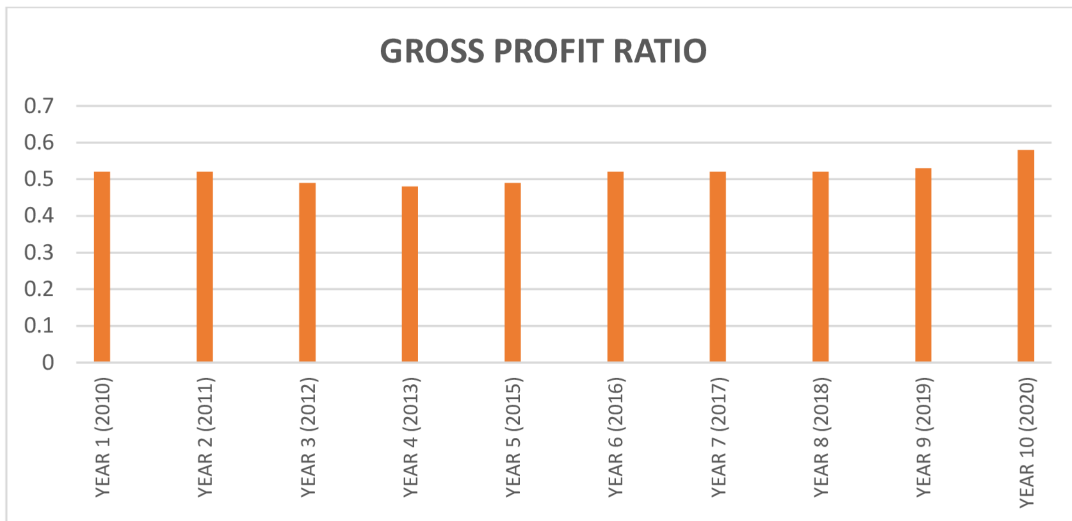
Source: Bata India Annual Report

Represented in the tables above are the gross profit and net profit ratios of Bata India – which fall under the indicators of profitability, to gauge the financial performance of Bata India – over the course of 10 business years.

As seen from the first table, of the gross profit ratio, the figures stay the same for the first two years (2010, and 2011) before taking a slight dip for the next two years. After this, the value rises the next year, levels up for a bit again and remains constant for three consecutive years. Only increases are recorded for the final two years. A conclusion, that there is no definitive trend to the progression of the values over the course of these ten years; just characterized by fluctuations. However, the highest value was recorded in the final year (taken for the study, the current business year), whilst the least stems from the fourth year (2013).

The trend in the net profit ratio also shows a penchant for vacillation, seeing as the value takes a sharp spike upwards from the first year to the second, and afterwards, a substantial decrease is seen in the year that follows. The value continues to slightly decrease until the sixth year when it sees a rather slender increase, it falls again in 2017, keeps rising (most conspicuous is the upsurge from 2018 to 2019, the ninth year where the value peaked), and eventually decreases in the next year.

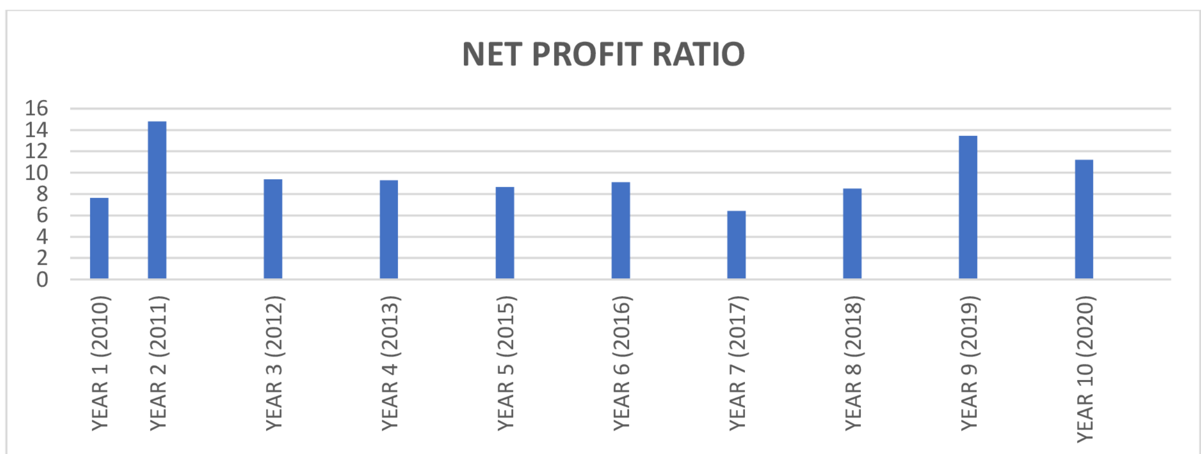
Figure 1: Gross profit ratio




Source: Bata India Annual Report

Represented in the figure, the above are the gross profit of Bata India which is somehow equal or lies near to equal over the course of 10 business years as per their financial performance.

Figure 2: Column chart representation of net profit ratio from Table 1.




Source: Bata India Annual Report.

Represented in the figure, the above are the net profit of Bata India which is different over the course of 10 business years as per their financial performance. In the second year (2011), the ratio performed good but after the 2012, the ratio lies between 8-10 and in 2019, crossed the margin of the 10 and reached near to 12.

Table 2: Showing the return on assets and return on equity ratio for Bata India through 10 years (2010-2020)

| RETURN ON ASSETS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 0.12 | 0.24 | 0.15 | 0.14 | 0.14 | 0.13 | 0.08 | 0.10 | 0.16 | 0.09 |
| **RETURN ON EQUITY (IN %)** | | | | | | | | | |
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 23.94 | 24.74 | 24.50 | 22.68 | 19.37 | 14.29 | 11.98 | 15.12 | 18.58 | 17.24 |

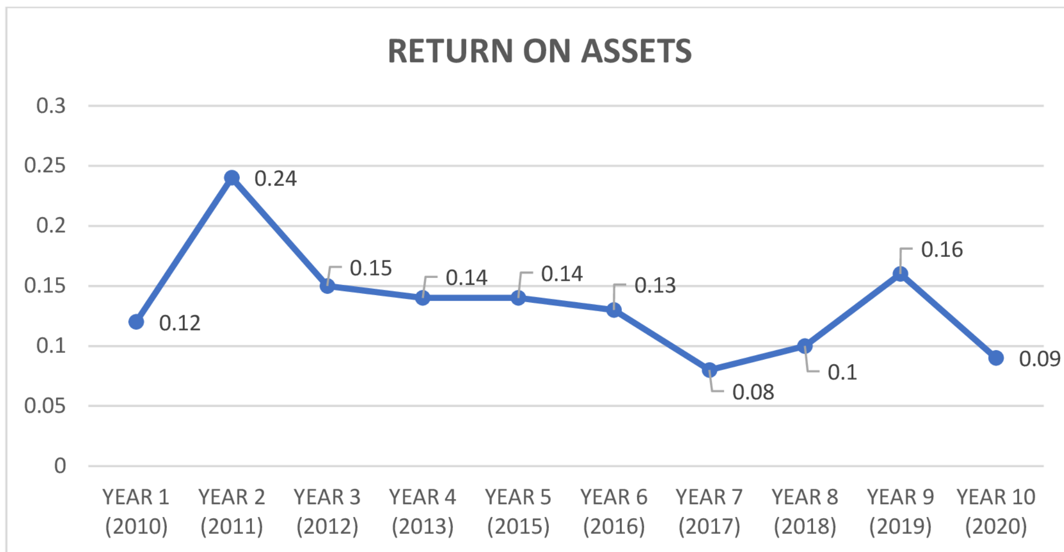
Source: Bata India Annual Report

In the tables above, the return on equity (represented in percentage) and the return on assets of Bata India – which fall under the indicators of profitability, to gauge the financial performance of Bata India – over the course of 10 business years are depicted.

To begin with, the return on assets almost roughly gets doubled in terms of increase before it drops and remains constant till the sixth year, where it plunges again to its lowest recorded value for the 10 years. The return on assets keeps increasing until the last year, when it sees its final and second lowest figure.

On the other hand, the return on equity, represented in percentage, starts off on a very strong note; a similar range of numbers is maintained with slight increases and decreases, before the fifth year. From there, it continues to drastically reduce until increasing again in the eighth year (2018). The crescendo for the values was reached in the second year, whilst the nadir was seen in the seventh year.

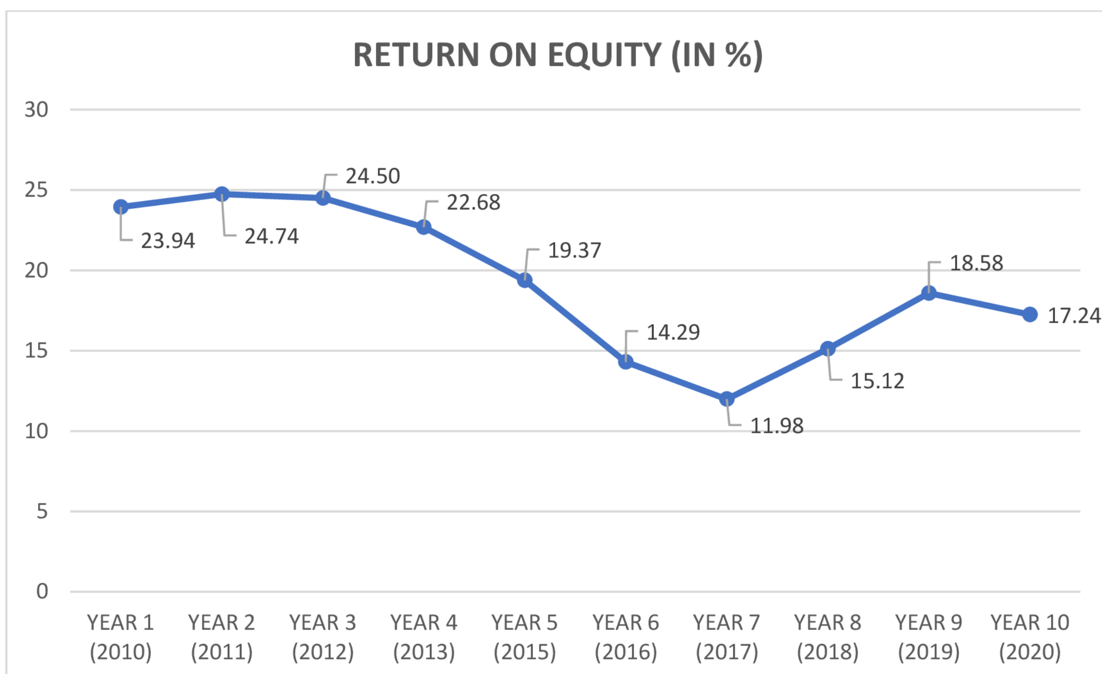
Figure 3: Line chart representation of return on assets ratio from Table 2.




Source: Equity Master reports

Represented in the figure, the above are the return on assets of Bata India which is different over the course of 10 business years as per their financial performance. In the second year (2011), the ratio performed good (0.24) but after the 2012, the ratio lies between 0.13 to 0.15 and in 2017, it fall down to 0.08 and in 2018, it was 0.1 and in 2019, witnessed 0.16.

Figure 4: Column chart representation of quick ratio from table 3.




Source: Equity Master reports

Represented in the figure, the above are the return on assets of Bata India which is different over the course of 10 business years as per their financial performance. In the seventh year (2017), the ratio performed 11.98 but after the 2018, the ratio secured again the position of 15.12 to 18.58 and in 2020, witnessed 17.24.

Table 3: Showing the quick ratio and current ratio of Bata India from 2010 – 2020

| **QUICK RATIO** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 0.78 | 0.84 | 0.69 | 0.73 | 0.59 | 1.15 | 1.31 | 1.41 | 1.59 | 1.41 |
| **CURRENT RATIO** | | | | | | | | | |
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 1.53 | 2.00 | 1.93 | 1.99 | 1.96 | 2.83 | 2.74 | 2.76 | 2.92 | 2.50 |

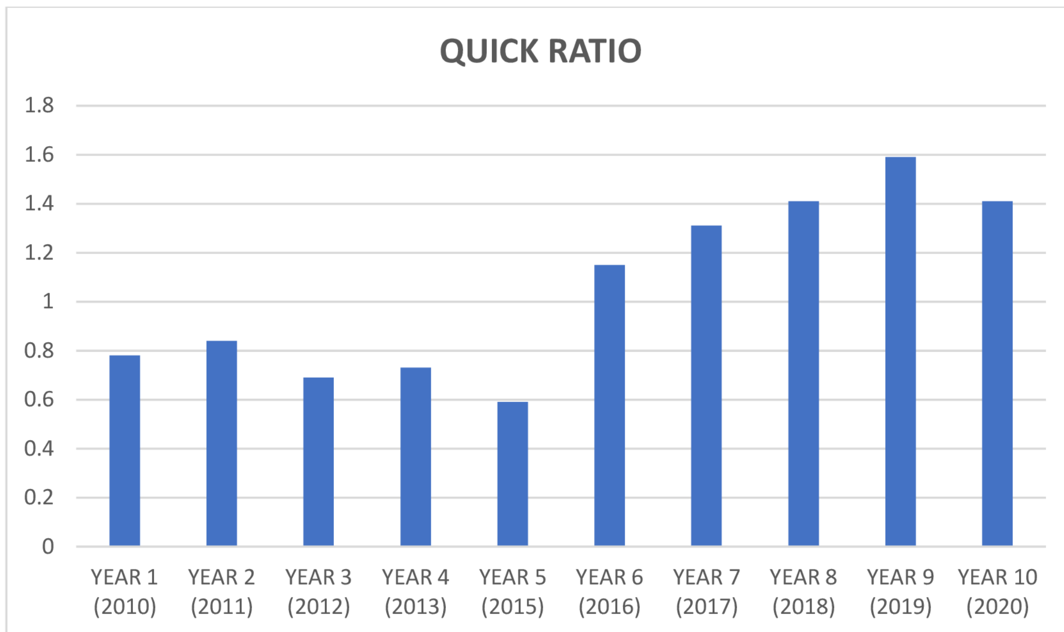
Source: Bata India Annual Report.

The tables above show the quick ratio and the current ratio for Bata India over the span of 10 years (from 2010-2020), both liquidity ratios.

For the quick ratio, on one hand, the first two years are marked with a fair upsurge which gets cut off the following year with a decrease; it rakes another increase, this pattern keeps on up till the sixth year when it sporadically rises and continues to increase until the penultimate year – the zenith was attained here. It stops increasing, and dips for the last time in the tenth year (2020).

The current ratio, by the way, also is typified by fluctuations in the yearly figures of which a surge is seen from the beginning business year, into the next. A slight dip is seen in the next year, the same pattern is continued for a certain number of years with little increases and decreases until the sixth year; here, the value substantially takes a surge, reverts to the trend described in the foregoing sentence.

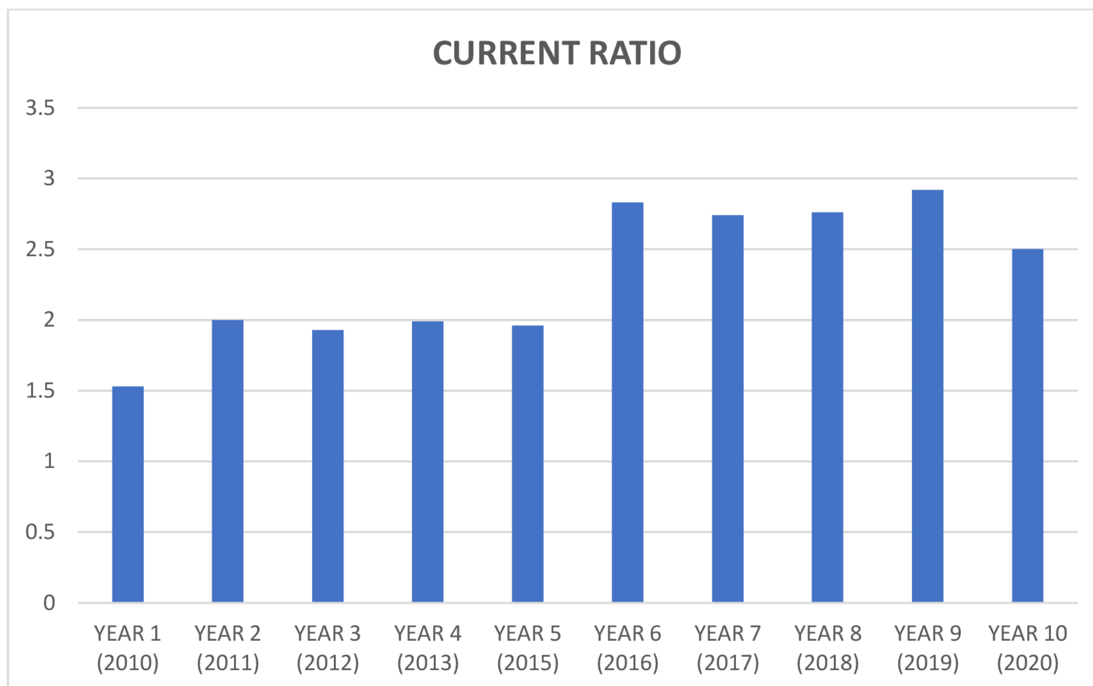
Figure 5: Column chart representation of current ratio from table 3.




Source: BSE reports

Represented in the figure, the above are the return on assets of Bata India which is different over the course of 10 business years as per their financial performance. The quick ratio performed good in the starting five years (2010-2015), after 2016, the ratio is consistent and witnessed high which is near to 1.2.

Figure 6: Current ratio




Source: BSE reports

Represented in the figure, the above are the return on assets of Bata India which is different over the course of 10 business years as per their financial performance. The current ratio performed good in the starting five years (2010-2015), after 2016, it was more than 2.5 and consistently performing the same.

Table 4: Showing the Dividend Pay-out and Price Earnings ratio for 10 years.

| **DIVIDEND PAYOUT RATIO** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 0.20 | 0.11 | 0.26 | 0.20 | 0.18 | 0.19 | 0.28 | 0.20 | 0.13 | 0.25 |
| **PRICE EARNINGS RATIO** | | | | | | | | | |
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 0.73 | 0.28 | 0.37 | 0.34 | 0.28 | 0.29 | 0.40 | 0.29 | 0.19 | 0.20 |

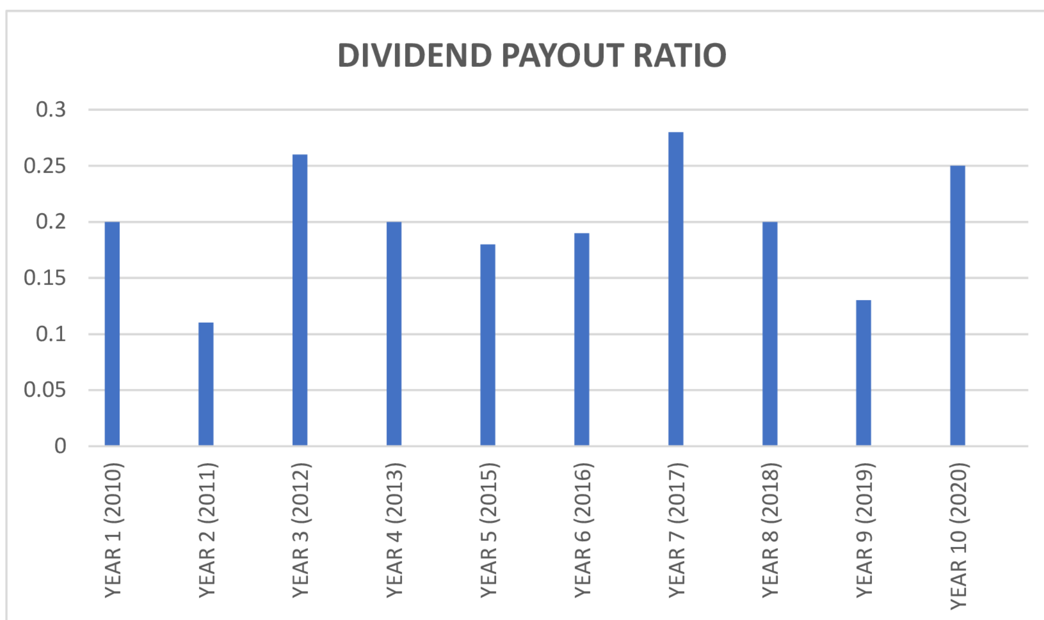
Sources: Bata India Annual Report.

The tables above show the dividend pay-out ratio, and the price earnings ratio – which fall under the category of the market/valuation ratios – for Bata India over 10 business years, to help investors take decisions on whether or not to make investments in the company's affairs.

For the dividend pay-out ratio, the pattern of progression starts on a downward note, it increases subsequently and continues to fluctuate in similar fashion up to the point where it sees a sharp, noteworthy rise in year 7 (2017). It however drops with an almost equal proportion until the ultimate business year.

In the price earnings ratio however, it starts out with a really large plunge, increasing the next year. It keeps dropping (with marginal difference however, as opposed to the transition from the first to the second year), and records an upsurge in the seventh year, dropping again. This keeps going until it very marginally increases in the last year taken for the study.

Figure 7: Column chart representation of Dividend Payout ratio from table 4.




Source: Money Control

Represented in the figure, the above are the return on assets of Bata India which is different over the course of 10 business years as per their financial performance. The dividend pay-out ratio performed good except in 2011 and in 2019 which is near to 0.1.

Figure 8: Column chart representation of Price Earnings ratio from table 4

Source: Money Control

Represented in the figure, the above are the return on assets of Bata India which is different over the course of 10 business years as per their financial performance. The price earnings ratio performed good in the starting year, 2010 and after 2011, the ratio is consistent and lies between the 0.1 to 0.3 across the years.

Table 5: Showing the Vertical Analysis of Balance Sheet items (Bata India) for 10 years.

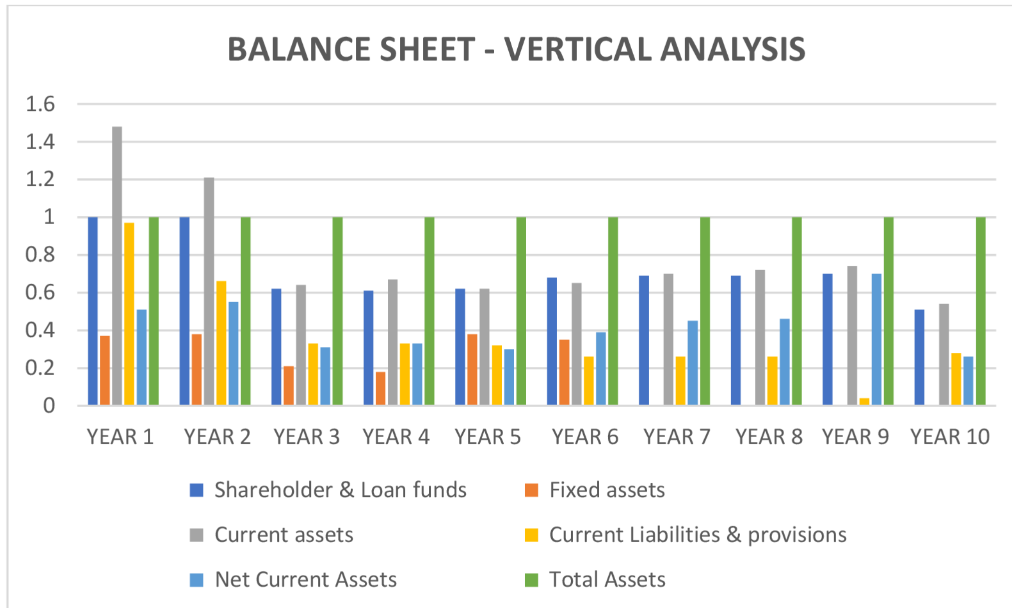
| | | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9 | YEAR 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET VERTICAL ANALYSIS** | Shareholder & Loan funds | 1.00 | 1.00 | 0.62 | 0.61 | 0.62 | 0.68 | 0.69 | 0.69 | 0.70 | 0.51 |
| | Fixed assets | 0.37 | 0.38 | 0.21 | 0.18 | 0.38 | 0.35 | - | - | - | - |
| | Current assets | 1.48 | 1.21 | 0.64 | 0.67 | 0.62 | 0.65 | 0.70 | 0.72 | 0.74 | 0.54 |
| | Current Liabilities & provisions | 0.97 | 0.66 | 0.33 | 0.33 | 0.32 | 0.26 | 0.26 | 0.26 | 0.04 | 0.28 |
| | Net Current Assets | 0.51 | 0.55 | 0.31 | 0.33 | 0.30 | 0.39 | 0.45 | 0.46 | 0.70 | 0.26 |
| | Total Assets | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Sources : Bata India Annual Report

In the vertical analysis for the balance sheet for Bata India, over the span of 10 years, all items were juxtaposed with the total assets which had a constant change throughout the interval stipulated for the study, as seen from table above. The Shareholder & loan funds however follow in similar fashion for the first two years, staying within the 60-70% mark for the rest of the time, save for the last year where it drops into the 51% mark. The fixed assets record a slight change (in positive direction) for the first two years; declining however, until the fourth year before it increases in the subsequent year, and slightly dips, staying in a fairly similar range. Current assets start out at above a hundred percent, taking a dip into the 60%'s, fluctuating in the same range until year 7 when it goes into the 70% mark. It stays so for the following two years up until the last year when it falls by around 20%. The current liabilities & provisions stays constant for three years between year 6 and year 8. It had seen a fair drop from the first year into the second, and dropped by almost half again, staying constant for the next year until year 5 where it shows a slight difference from the previous year. The net current assets go up a notch by a marginal amount, drops into the 30% range with fluctuations in increase, and decrease for four years. It strays out of this bound, and goes into the forty percent range

between Year 7 and 8. Be that as it may, it increases in Year 9, before taking a massive dip in the tenth and final year.

Figure 9: Balance sheet Vertical analysis




Source- Bata India Annual Report.

Represented in the figure, the above is the balance sheet of Bata India which witnessed high in the current assets, the current liabilities and total assets are nearly equal, while the net current assets and fixed assets is low (near to 0.3) in the year 1. Despite the years, the total assets are consistent, and the current asset and shareholder fund is somehow equal, while the rest two values i.e., current liabilities and fixed is fluctuated during the different years.

Table 6: Showing the Vertical Analysis of Cash Flow statement items (Bata India) for 10 years.

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOW STATEMENT VERTICAL ANALYSIS** | Operating profit before working capital changes | 2.22 | 4.35 | 1.66 | 1.95 | 3.24 | 1.76 | 1.04 | 2.33 | 1.40 | 1.06 |
| | Net Cash flow from/ (used in) operating activities | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | Cash flow from investing activities | 0.64 | 0.52 | 0.70 | 0.64 | (0.56) | (0.57) | (0.89) | (0.69) | (0.80) | (0.24) |
| | Cash flow from financing activities | 0.19 | 0.39 | 0.25 | 0.25 | 0.43 | 0.25 | (0.22) | (0.36) | (0.24) | (0.55) |
| | Total cash equivalents | 0.19 | 0.39 | 0.18 | 0.28 | 0.45 | 0.44 | 0.25 | 0.36 | 0.17 | 0.02 |

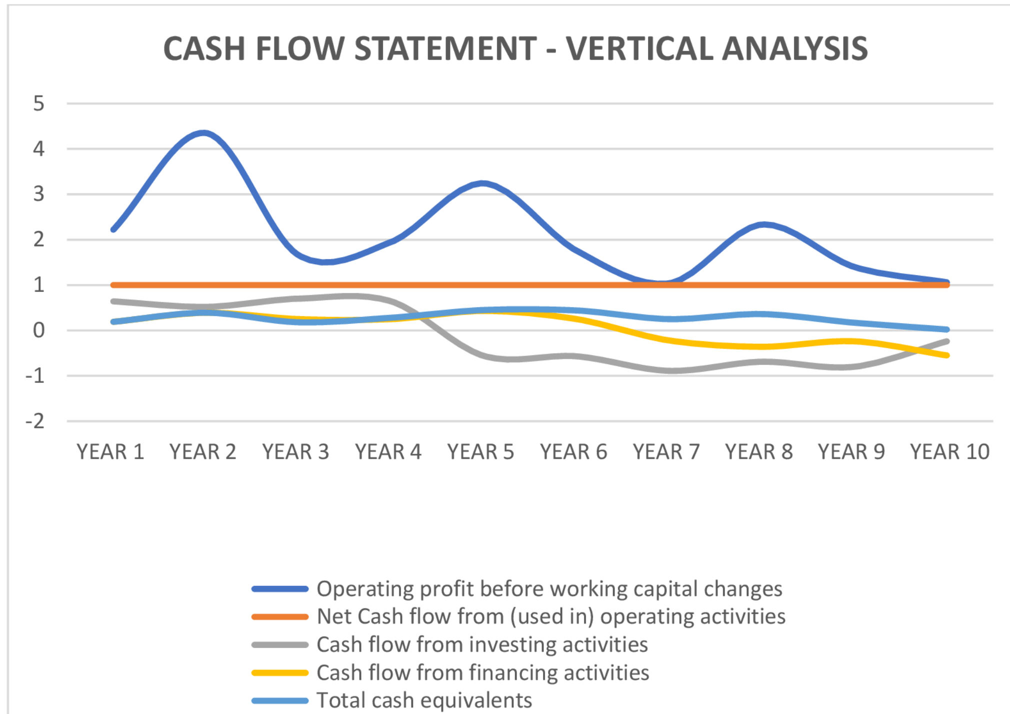
Sources : Bata India Annual Report.

The table above is a vertical analysis for the cash flow statement for Bata India, for a given period of 10 business years. Here, the Net Cash flow from (used in) operating activities shows values that remain unvaried through the course of the 10 years. For the operating profit before working capital changes, the rate nearly doubles in the space of a year, from the start. From there, it nosedives by a considerable amount but still stays above 100%; a slight increase is seen the year after that (Year 5), it continues in that manner with highs, and lows in a vacillates trend – this is evinced by the wave-like line with which it is represented in the chart below. The cash flow from investing activities also shows minor hints of variation or instability as it records marginal decreases and increases between the 50% and 70% mark from the first year to the fourth year. Subsequently, a drastic change through the rest six years is seen; only negative values are recorded.

Again, the cash flow from financing activities kicks off with an increase, as it shows a movement from 19% into 39%, and back down into the 20%'s as it falls to 25% and stays so for another year. The fluctuations keep on until the seventh year when it plummets abruptly into negatives for the final four years, having the lowest recorded value in Year 10. The total cash equivalents, however maintains a fair range through the 10 years – with

a number of variations, of course. It is seen from the charts also, that it nearly keeps up a straight line.

Figure 10: Line Chart representation of Cash flow statement items over 10 years.




Source- Trading View

Represented in the figure, the above are the cash flow statement (vertical analysis) which is good in the working capital changes, the net cash flow is used in the operating activities, while the cash flow from investing, financing and the cash equivalents is performing below the expectation and witnessed the near to 1 or below1.

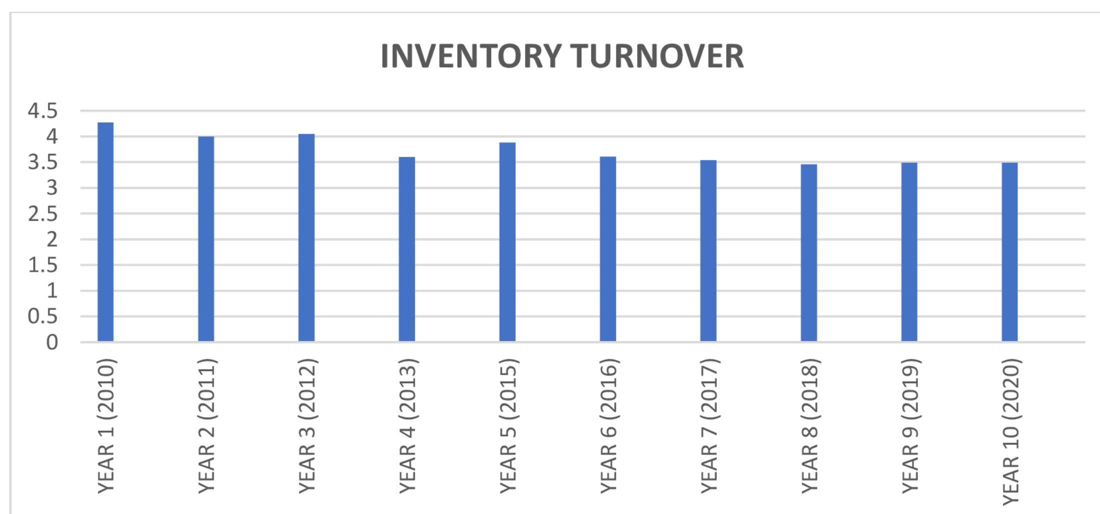
Table 7: Showing the Days Sales Outstanding and the Inventor Turnover for Bata India (2010 - 2020)

| **DAYS SALES OUTSTANDING (DSO)** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 8.69 | 6.99 | 8.83 | 8.76 | 7.39 | 10.08 | 10.27 | 8.77 | 7.84 | 7.21 |
| **INVENTORY TURNOVER** | | | | | | | | | |
| **YEAR 1 (2010)** | **YEAR 2 (2011)** | **YEAR 3 (2012)** | **YEAR 4 (2013)** | **YEAR 5 (2015)** | **YEAR 6 (2016)** | **YEAR 7 (2017)** | **YEAR 8 (2018)** | **YEAR 9 (2019)** | **YEAR 10 (2020)** |
| 4.27 | 4.00 | 4.05 | 3.60 | 3.88 | 3.61 | 3.54 | 3.46 | 3.49 | 3.49 |

Sources : Bata India Annual Report.

The tables above show the day sales outstanding (DSO) for Bata India over 10 business years, to help investors take decisions which witnessed 8.69 in 2010 and somehow lying among the values of 6.99 to maximum 10.27. On the other hand, the inventory turnover, the values are keep falling and in 2010 it was 4.27 and last in 2020, it was stated as 3.49.

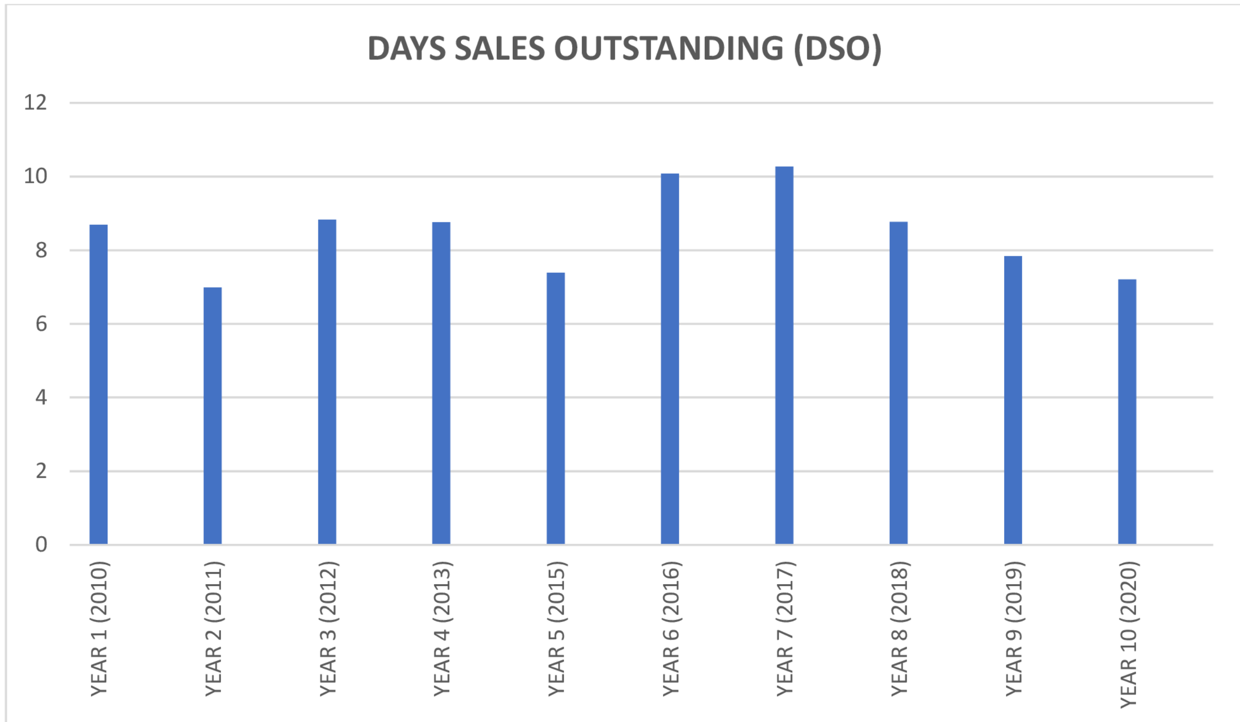
Figure 11: Column chart representation of Inventory Turnover from Table 7.




Source- Trading View

Represented in the figure, the above are the inventory turnover which is good and performing the value of more than 4 from the 2010 and after the 2016, the value fall down and stated 3.5 or below.

Figure 12: Column chart representation of Days Sales Outstanding from Table 7.




Source- Trading View

Represented in the figure, the above are the day sales outstanding (DSO) turnover which is good and performing the value of 8 in 2010 and after the 2015, the value fall down and in 2016 and 2017, the value was more than 10 and later in the next year, it was fallen down.

Table 8: Showing the vertical analysis of income statement through 10 years

| | | YEAR1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| VERT. ANALYSIS INCOME STATEMENT | Gross turnover | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | Changes in inventories of finished goods | - | - | 0.03 | (0.06) | (0.00) | 0.01 | (0.02) | (0.02) | (0.03) | (0.01) |
| | Excise on Duty on Turnover | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.00 | - | - |
| | Net Turnover | 0.99 | 0.99 | 0.98 | 0.98 | 0.98 | 1.07 | 0.99 | 1.00 | 1.00 | - |
| | Other Income | 1.00 | 1.07 | 0.02 | 0.01 | 0.02 | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 |
| | Manufacturing, distribution, selling and Administration Expense | 0.39 | 0.37 | 0.10 | 0.10 | 0.10 | 0.13 | 0.11 | 0.11 | 0.11 | 0.12 |
| | COGS | 0.47 | 0.46 | 0.50 | 0.51 | 0.49 | 0.47 | 0.47 | 0.47 | 0.46 | 0.43 |
| | VRS Expenses (Miscellaneous...) | 0.00 | - | - | - | - | - | - | - | - | - |
| | Depreciation | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.02 | 0.02 | 0.09 |
| | Financial Expenses | 0.01 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.04 |
| | Net Profit carried to balance sheet | 0.16 | 0.23 | - | - | - | - | - | - | - | - |

Sources : Authors work

Above is the table for the vertical analysis of the income statement for Bata India over 10 business years. All other items were placed against the gross turnover, which sustains an 100% value for the entirety of the 10 years placed under scrutiny, without doubt. It is however important to note that in some tables that have been elaborated – this, included – some particular columns appear to be devoid of statistical data; this is down to the fact that the required details were not provided and couldn't be retrieved; take the first two years of the Changes in inventories of finished goods as a case in point. That said, starting at year 3 for this item, the figure happens to plunge for the year that succeeds it (with a negative quantity, at that). It remains so for the next year until the sixth year when it picks back up to 1%. From the seventh year forth, the reported figures revert to

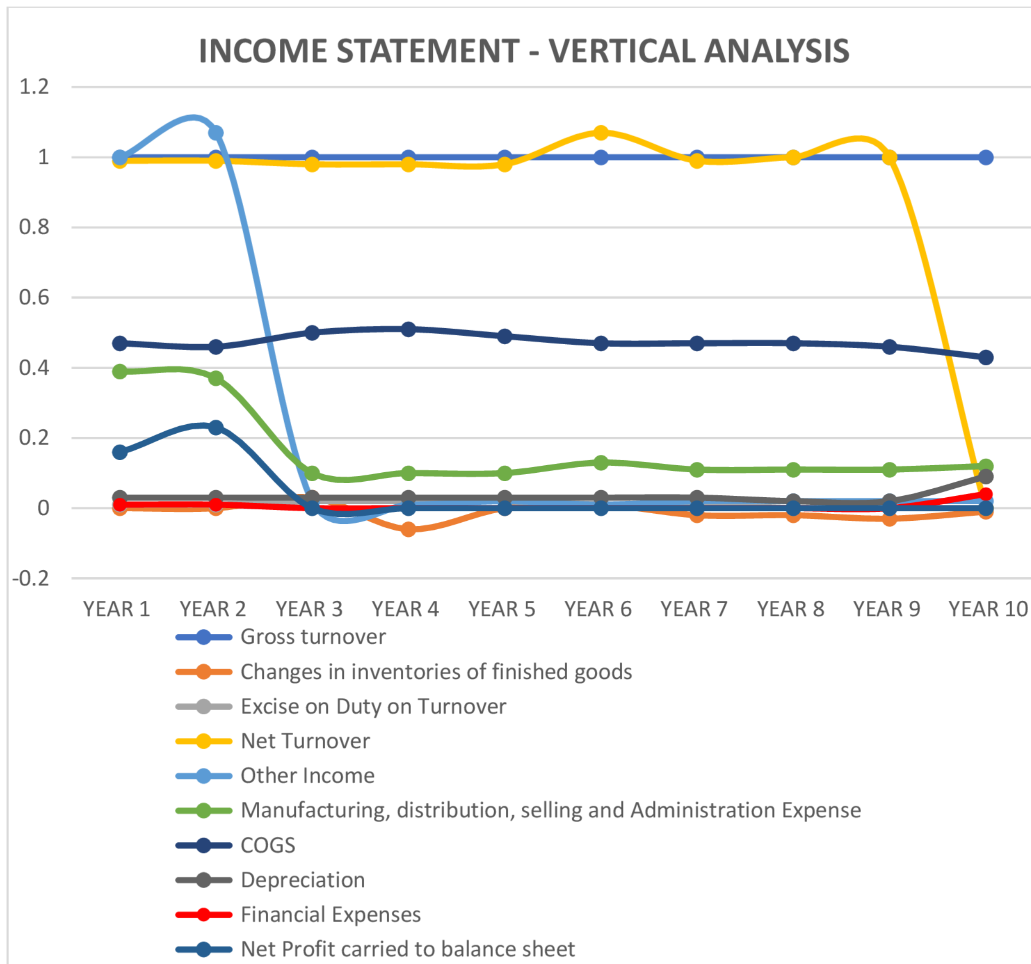
the negative direction. The excise duty shows some certain level of consistency, starting at the 1% mark, continuing for a year, going up to 2%, and staying so for additional two years. It then drops back to 1%, for two years, the final pair of business years (Year 9 and 10) do not contain data to be analyzed.

A relatively strong start is depicted for the net turnover, a value which does not vary for year 2. It indicates a very marginal decrease by 1%, and stays so until the fifth year as it increases in the next year, decreases again and shoots up again by 1% for the last two years. For the other income item, a 7% increase is observed from the first year to the second and falls by a very large margin from the initial 107%, to 2%. It is seen that it then alternates between 1-2% before it eventually settles at 2% for the remnant four years (year 7-10).

Manufacturing, distribution, selling and Administration Expense starts out at 39%, before decreasing by 2% then drops down to 10% for three years, before increasing again to 13%. From there, it falls to 11% and stays so for three years in a similar manner, prior to an eventual increase by 1%. For COGS, it doesn't stray out of the 40-50+% range the whole time; it kicks off at 46%, with fluctuations as it progresses from year to year. 47% has the highest frequency as it is seen in the first year, and then from year 6 to 8; with the lowest figure coming in Year 10. VRS Expenses (Miscellaneous) has just one value of 0 for the first year. Coming in next, the depreciation begins at 3%, remains for six more years until the seventh year, drops to 2% in year 8, does not vary in year 9. It eventually rises to 9%, in the concluding year which happens to be the crest for the entire span.

The next item, financial expenses stay unchanged for the starting two years (at the 10% mark); from there on, it records zero values for 7 years till the ninth year, in advance of an ultimate, slight upsurge to 4%. In the case of the net profit carried to the balance sheet, there are two years to be elucidated on, and this sole shift happened to be an increase from 16% to 23%.

Figure 13: Line Chart representation of vertical analysis for income statement items.




Source- Trading View

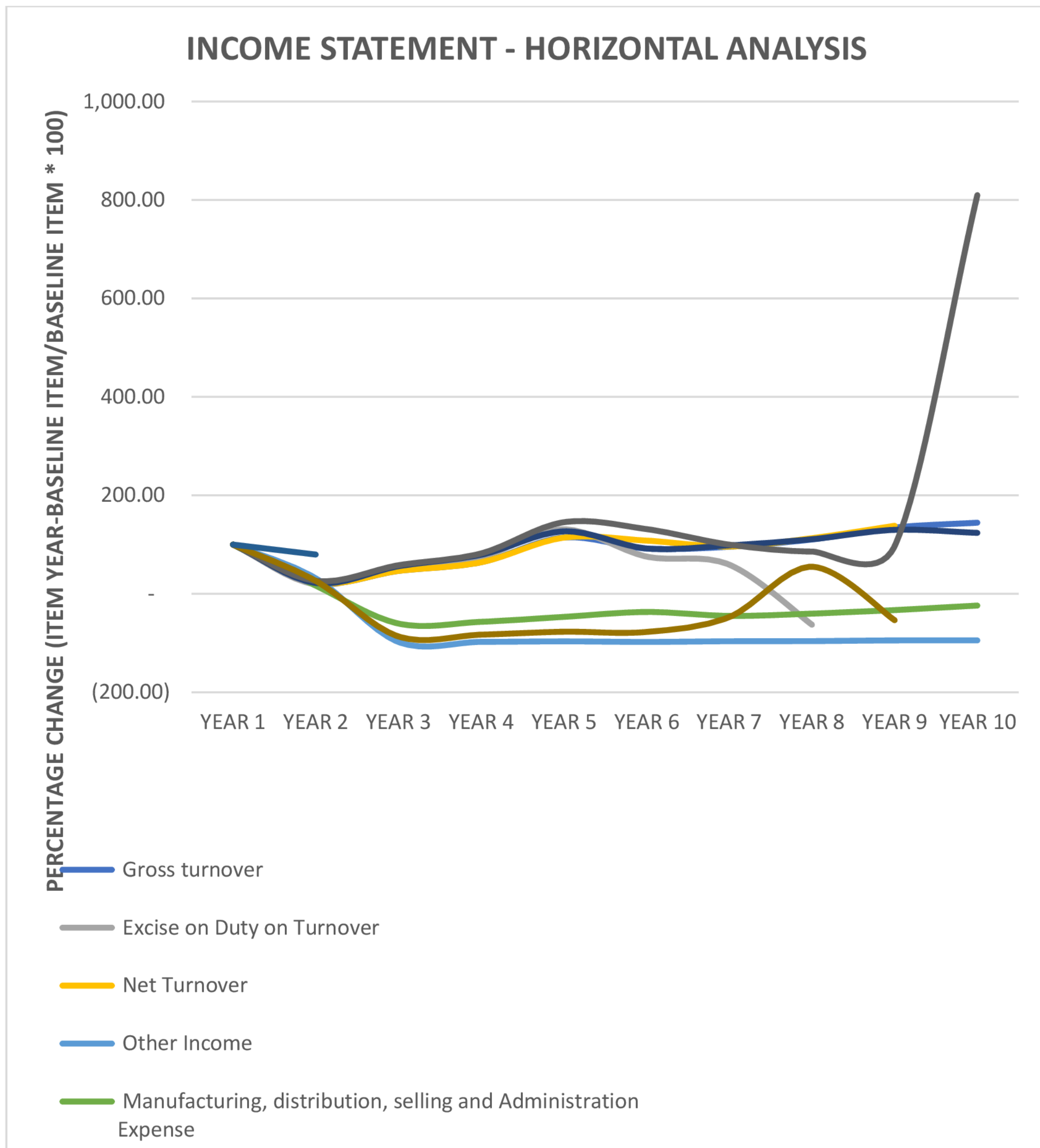
Represented in the figure, the above are the income statement vertical analysis, only the gross turnover and net turnover, the values are altering while the rest values are performed equal and found to be little alteration

Table 9: Showing the horizontal analysis of income statement through 10 years

| **INCOME STATEMENT: HORIZONTAL ANALYSIS** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross turnover | Changes in inventories of finished goods | Excise on Duty on Turnover | Net Turnover | Other Income | Manufacturing, distribution, selling and Administration Expense | COGS | VRS Expenses (Miscellanous) | Depreciation | Financial Expenses | Net Profit carried to balance sheet |
| YEAR 1 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| YEAR 2 | 22.51 | | 19.31 | 22.56 | 31.41 | 16.69 | 22.21 | | 26.42 | 26.27 | 79.78 |
| YEAR 3 | 46.56 | | 55.08 | 46.44 | (97.65) | (60.36) | 56.01 | | 58.03 | (86.49) | |
| YEAR 4 | 64.31 | | 75.88 | 64.14 | (97.54) | (56.84) | 79.38 | | 82.09 | (82.99) | |
| YEAR 5 | 114.36 | | 130.77 | 114.12 | (96.61) | (46.85) | 126.81 | | 145.37 | (77.01) | |
| YEAR 6 | 91.94 | | 75.74 | 108.08 | (97.64) | (36.89) | 92.16 | | 131.46 | (77.44) | |
| YEAR 7 | 95.54 | | 59.20 | 96.09 | (96.34) | (44.83) | 98.35 | | 99.95 | (47.19) | |
| YEAR 8 | 110.41 | | (62.70) | 113.01 | (96.01) | (40.24) | 110.90 | | 85.85 | 54.93 | |
| YEAR 9 | 134.67 | | | 138.20 | (94.62) | (33.01) | 129.91 | | 96.91 | (53.59) | |
| YEAR 10 | 144.49 | | | | (94.59) | (23.84) | 123.81 | | 809.76 | | |

Sources : Authors work

Figure 14: Line Chart showing the horizontal analysis of income statement items.




Source- Trading View

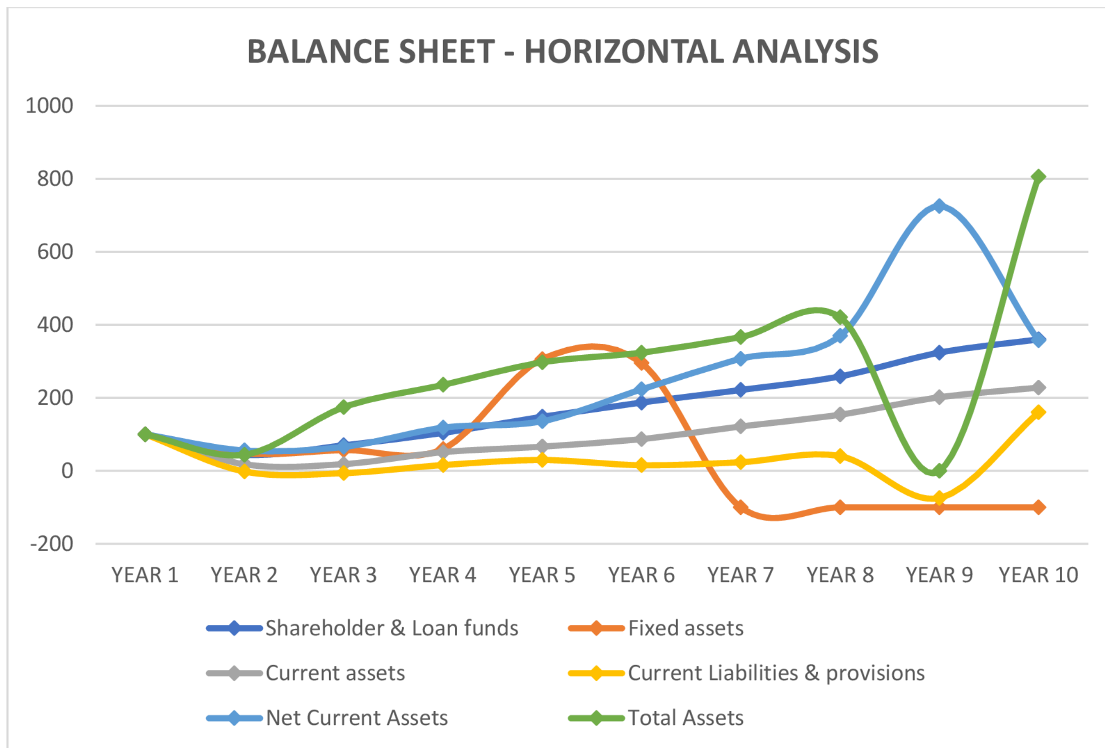
Represented in the figure, the above are the income statement horizontal analysis, only the depreciation, while the other items are altering and performed equal and little fluctuated

Table 10: Showing the horizontal analysis of balance sheet items through 10 years

| **BALANCE SHEET – HORIZONTAL ANALYSIS: PERCENTAGE CHANGE (ITEM YEAR-BASELINE ITEM/BASELINE ITEM * 100)** | | | | | | |
|---|---|---|---|---|---|---|
| | **Shareholder & Loan funds** | **Fixed assets** | **Current assets** | **Current Liabilities & provisions** | **Net Current Assets** | **Total Assets** |
| YEAR 1 | 100 | 100 | 100 | 100 | 100 | 100 |
| YEAR 2 | 44.10 | 47.63 | 18.00 | -1.92 | 55.82 | 44.10 |
| YEAR 3 | 69.97 | 56.85 | 18.53 | -6.29 | 65.65 | 174.37 |
| YEAR 4 | 104.12 | 59.96 | 51.24 | 15.88 | 118.36 | 235.61 |
| YEAR 5 | 148.09 | 306.49 | 66.37 | 29.68 | 136.03 | 297.42 |
| YEAR 6 | 187.13 | 295.18 | 87.11 | 15.40 | 223.24 | 323.88 |
| YEAR 7 | 221.66 | -100 | 121.49 | 23.62 | 307.30 | 366.64 |
| YEAR 8 | 258.90 | -100 | 153.99 | 40.38 | 369.67 | 420.58 |
| YEAR 9 | 323.90 | -100 | 201.57 | -74.31 | 725.29 | 0.00 |
| YEAR 10 | 360.32 | -100 | 228.18 | 160.06 | 357.49 | 806.42 |

Sources : Authors work

Figure 15: Line Chart showing the horizontal analysis of balance sheet items through 10 years.




Source- Trading View

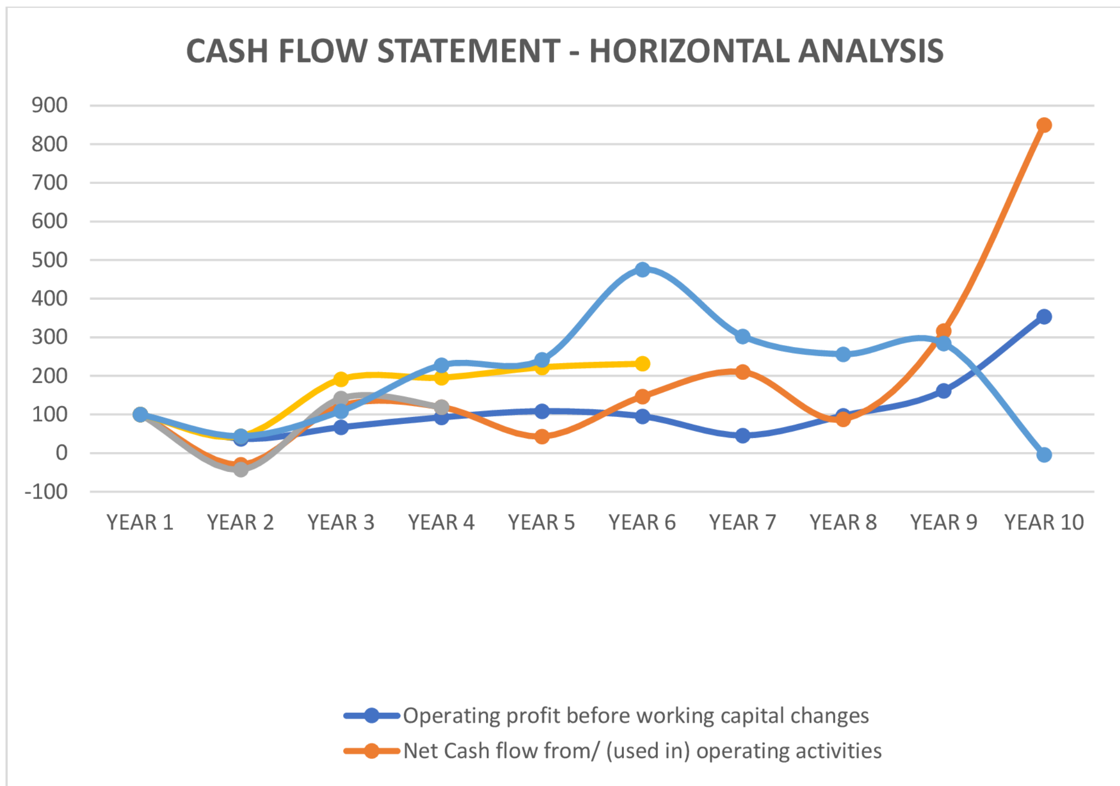
Represented in the figure, the above are the balance sheet- horizontal analysis which stated that shareholder fund is stable, while the rest items have some flotation and keep moving positive side. Thus, the current liability and the fixed assets shown fall.

Table 11: Showing the horizontal of analysis cash flow statement through 10 years

| CASH FLOW STATEMENT FLOW – HORIZONTAL ANALYSIS: PERCENTAGE CHANGE (ITEM YEAR-BASELINE ITEM/BASELINE ITEM * 100) | | | | | |
|---|---|---|---|---|---|
| | Operating profit before working capital changes | Net Cash flow from/ (used in) operating activities | Cash flow from investing activities | Cash flow from financing activities | Total cash equivalents |
| YEAR 1 | 100 | 100 | 100 | 100 | 100 |
| YEAR 2 | 37.47 | -29.81 | -42.75 | 43.90 | 43.87 |
| YEAR 3 | 67.10 | 122.74 | 141.77 | 191.54 | 108.78 |
| YEAR 4 | 92.52 | 119.09 | 119.07 | 195.36 | 227.79 |
| YEAR 5 | 108.59 | 43.07 | | 222.23 | 242.04 |
| YEAR 6 | 95.35 | 146.65 | | 231.51 | 475.43 |
| YEAR 7 | 45.70 | 210.01 | | | 302.48 |
| YEAR 8 | 97.09 | 87.91 | | | 256.13 |
| YEAR 9 | 161.66 | 316.01 | | | 284.33 |
| YEAR 10 | 353.98 | 849.52 | | | (4.06) |

Sources : Authors work

Figure 16: Line Chart showing the horizontal analysis for cash flow statement items.




Source- Trading View.

Represented in the figure, the above are the cash flow statement, in which net cash flow from the operating activities showed the highest mark, while the cash equivalent showed up and down in different years, while the cash flow from investing, financing is performing slowly across the different years.

# 5. DISCUSSION OF RESULTS AND RECOMMENDATIONS

This study is conducted to prepare an analysis of the financial position of Bata India; and to evaluate how the sustainability of the firm's business is being influenced by the financial position.

To achieve this, a set of parameters (financial instruments) referred to as financial ratios were used in conducting the study. The research places particular focus on five of the financial ratio types which include; the profitability ratio, activity ratio, liquidity ratio, market/valuation ratio and ventures into the leverage ratio to some extent. The research works with the instruments over the course of 10-business years.

It is however worthy of mention that the 10 business years do not follow consecutively for the fact that the company had a 15-month business year from the start of 2014, and closed in March, the next year. The firm then went back to the usual way of doing things as it commenced the usual 12-month business year from March 2015 – March 2016. To this end, the year 2014 is not included in any computations made in the study.

Of all the financial instruments/ratios applied in the research, the profitability ratio happened to be the most assessed with more values and calculations conducted than any others. Reason being, it is almost a perfect measure to assess how efficiently a firm is running, or has been running its business affairs. Also, the activity ratios stand as an excellent gauge for this cause.

That said, the ratios analysed under the category of the profitability ratio are, the return on assets ratio, net profit ratio, gross profit ratio, and return on equity. All figures and statistical data used in conducting calculations for these parameters were gotten from the company's website.

For market/valuation ratios, two quantities were looked at; in the mold of the price earnings ratio, and the dividend pay-out ratio. The price earnings ratio is used to draw a comparison between the firm's current share price to its EPS. Along with the dividend pay-out ratio, it is a proper and fitting yardstick with which prospective investors could make decisions on whether or not to invest in a company's business affairs.

Having stated all of this, it is expedient that we assess the influence of the profitability ratio on the business proceedings of Bata India. Judging from the gross profit ratio, and the net profit margin – the first two pairs of ratios for profitability to be evaluated – we can come to a conclusion that Bata India has a fair profit base; one that trumps what most of its competitors in the same market have got. The best years, with respect to their net profit ratio, are 2011, 2019, and 2020; with 2011 being the fairest of the trio. However, it is worthy of mention that Bata India saw their net profit margins impacted (a sharp plunge) by an upsurge in sales of shoes online. Also, contributing to this, was the Government's giving a stamp of approval to a 100% foreign direct investment in single brand retail; which the foreign footwear companies optimally exploited, and somewhat to the detriment of Bata India. Nonetheless, Bata India resurged quite strongly and currently has a net profit margin of 11.22%, which is considered to be average by general standards. All in all, the gross profit margin is quite on the fairly high side, this further points to the fact that Bata India Is in good financial health.

For Bata India, its Return on Equity ratio is fairly placed, this indicates that the company's performance is quite formidable, and also indicates that. The highest of its values came in 2012, with a ratio slightly above 24%; on the contrary, 2017 was the lowest, set at 11.08%. the return on assets also corroborate this with good showings in the values recorded, further confirming the actuality that Bata India's assets prove to be quite profitable in generating revenue.

Moving over to the liquidity ratio aspect, Bata India also shows results down the positive direction. Starting with the quick ratio, which normally is acceptable and on the safe side when it is 1:1, Bata India also puts forth a good performance in this aspect; albeit, the values continued to be less than 1 up until the fifth year, the company however sees a major improvement starting at the sixth year down to the final year. Initially, it appeared that Bata India lacked the capacity to pay back its current liabilities in the first five years, the company had an improvement in the five years that succeeded 2015. The current ratio follows in a similar but more excellent pattern, with high current ratios that indicate a greater likelihood of recompensing their creditors. With this stated, it is important to point out that that large current ratio could scare off investors due to what it implies. A high current ratio might also mean the company is not putting its current assets to efficient use. But this is negated, by the results shown in the return on equity ratio.

Again, in this study a number of ratios for activity were also assessed in this study, two, to be exact. Starting with the inventory turnover, the figures shown in the table for the opening three years indicate that Bata India struck a proper equilibrium between the rate at which they sell and restock. However, this is observed to slightly shift to a set of values that are not poor, but would not be classified as excellent either for the next three years as figures between 3.5 and 3.9 are recorded from year 4 to year 7. Afterwards, from the it drops but stays between 3.45 and 3.49.

This implies that the performance, using this as a yardstick, is not all that great. However, it is a fair, and could prime the firm to work in direction of improving their efficiency when it comes to sales and restock at a later point.

What is more, the days sales outstanding gives a measure of how quickly a firm collects cash for sales from its customers. The numbers garnered by Bata India look really promising, and impressive; as it indicates a quite high level of efficiency in this wise. With this, potentialities are opened with investors as they are drawn towards firms with low DSO ratios (it is generally set at less than 45 days, but Bata India possesses an average that sits at roughly over a week for the 10 years looked at in the study); here, that of Bata India is exceptionally low and we can infer from there that the degree of efficaciousness is formidable.

# CONCLUSION

The financial analysis exists as an excellent measure of checking a company's level of performance and it also helps to uncover ways through which improvements can be made. Viewing this from a different angle, the financial analysis of any company goes a long way in showing the effectiveness of management decisions in steadying the economic shape of the company (Wang and vom Hofe, 2020). And as we see here from the case of Bata India, it does appear that the management have been able to guide the company's affairs, to a profitable end – and this is to a significant effect.

Be that as it may, in the financial analysis conducted, in some aspects the figures recorded appeared to falter and begin to drop with some ratios. At some points, there were apparent fluctuations. This goes to show that Bata India still could improve on how they go about their business (Wang and vom Hofe, 2020). In terms of performance, they showed some glimpses of excellence with some profitability ratios and activity ratios. The firm does not look to be in any serious debt, and enjoys a very high potential of repaying its creditors (Brondoni, 2018).

On the whole, with this financial analysis, certain deductions could be made; we can construe and infer that Bata India operates on a large scale, as a firm, and shows a quite proper performance, and efficiency in its operations on the whole, albeit there are some faults, and shortcomings to be pointed out in certain fields (Prihartono and Asandimitra, 2018).

The company appears to be a class apart when measured up with the rest competitors that exist in the footwear sphere within the same region. In spite of this, it is recommended that the company continue to build upon the strengths it already possesses make attempts to discover new fortes and strong points, in order to continue to thrive and cover the loopholes that exist (Tallman et al. 2018). This could also serve as an underpinning with which the firm propels itself into the global market with greater penetration.

In India, Bata India sits pre-eminently as the foremost manufacturer and biggest retailer of footwear; the company is however a daughter organization which stems from the Bata Shoe Organization.

Taking volume into account, Bata is the most prominent maker of footwear globally, with stylish and comfortable footwear designs at affordable prices that come with astonishment. At the moment, Bata still keeps its status as a family business that caters to the needs of more than a million customers on a daily basis, with its 5,300 stores; and engaging in local production in the 23 manufacturing facilities it possesses – these facilities are dispersed across five continents. Even with the fact that it is a global organization with its nerve centre located in Switzerland, the brand meets the demands of locally situated customers in countries of Europe, Asia, Africa & Latin America. The resource strengths enjoyed by India in the mould of the supplies and the adept workforce, serve as a comparative advantage for the nation.

The study looks to analyze the financial status of Bata India and to evaluate the impact of the financial position on the sustainability of business.

A quantitative approach was adopted to analyze and explore the financial situation in Bata India over the course of 10 years – from the year 2010-2020. It is however important to note that subsequent to 2013, when the business year closed in the month of December, the firm moved onto a 15-month business year calendar which ended in the month of March 2015. From there on, it reverted to the usual 12-month business year [from March 2015 – March 2016, and so on.]

The parameters that would be used in evaluating the financial status include: SWOT analysis, Trend analysis, Horizontal and Vertical analysis, Ratio analysis – liquidity ratio, profitability ratio and leverage ratio.

The quantitative form of analysis is premised upon mathematical, econometric, statistical and other algorithmic methodologies to collect, and group data for the purpose of drawing inferences.

This study is conducted to prepare an analysis of the financial position of Bata India; and to evaluate how the sustainability of the firm's business is being influenced by the financial position.

To achieve this, a set of parameters (financial instruments) referred to as financial ratios were used in conducting the study. The research places particular focus on five of the financial ratio types which include; the profitability ratio, activity ratio, liquidity ratio,

market/valuation ratio and ventures into the leverage ratio to some extent. The research works with the instruments over the course of 10-business years.

Be that as it may, in the financial analysis conducted, in some aspects the figures recorded appeared to falter and begin to drop with some ratios. At some points, there were apparent fluctuations. This goes to show that Bata India still could improve on how they go about their business. In terms of performance, they showed some glimpses of excellence with some profitability ratios and activity ratios. The firm does not look to be in any serious debt, and enjoys a very high potential of repaying its creditors.

The company appears to be a class apart when measured up with the rest competitors that exist in the footwear sphere within the same region. In spite of this, it is recommended that the company continue to build upon the strengths it already possesses make attempts to discover new fortes and strong points, in order to continue to thrive and cover the loopholes that exist. This could also serve as an underpinning with which the firm propels itself into the global market with greater penetration.

Also, the financial analysis estimated project's profitability from the investor view. A financial analysis compared the costs which is to be expected. The financial analysis's goal is to demonstrate the horizontal and vertical analysis of the project's ability to generate return on investment for their potential investors. Investors interested in the Ratio analysis to assess the project's financial risk. The financial statement explained the synopsizes the status of a firm's finances over a specific period of time. Also, it consisted income statement and a balance sheet/statement of the firm's financial situation which provided an elucidation of the resources, gains or deficits.

The thesis discussed key types of financial statements which work individually, and as a whole provided vital details to the degree of efficiency and effectiveness which helped the Bata to run. Income statement, balance sheet/statement, and statement of cash flow are the very fundamental and significant statements of the firm's finances which explained the company's performance/operation.

Bata are publicly traded circulate their financial statements on a quarterly basis and the accounting application analysis the opportunity which have chaos and complexity which administrate the monetary values and ready to apply with new thinking and thought process.

Further, the accounting theory solely work with principles and standards which contributed towards the development and expansion of the organisation and collectively works for reaching creative values and open diversity for the interpretative accounting roles.

Talking about the ratios, it analysed under different category for the profitability ratio are, the return on assets ratio, net profit ratio, gross profit ratio, and return on equity and the rest all figures and statistical data used in conducting calculations for these parameters were gotten from the company's website.

For market/valuation ratios, earnings ratio, and the dividend pay-out ratio. The price earnings ratio is used to draw a comparison among the firm's current share price to its EPS. Thus, the proper yardstick has some prospective for the investors which could made decisions for the investment in a company's business affairs.

The number of ratios for activity were also assessed and which started with the inventory turnover for the Bata India struck a proper equilibrium between the rate at which they sell and restock. However, this is observed to slightly shift to a set of values that are not poor, but would not be classified as excellent either for the next three years.

This implied the performance, and it's fair, to work with such firm to work in direction of improving their efficiency when it comes to sales and restock at a later point.

What is more, the days sales outstanding gave a measured of how quickly a firm collects cash for sales from its customers. The numbers garnered by Bata India look really promising, and impressive; as it indicated a quite high level of efficiency in this wise. With this, potentialities are opened with investors as they are drawn towards firms with low DSO ratios and that of Bata India is exceptionally low and we can infer from there that the degree of efficaciousness is formidable.

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