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Reinventing Raymond's: Strategies for Sustainable and Inclusive Growth

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ABSTRACT:

In order to create accurate standalone balance sheets, income statements, and cash flow statements, the primary objective of the research paper is to prepare reliable financial statements. This research makes an effort to analyse the financial statements and assess the performance in terms of profitability and asset utilization. For the study that has focused on the past and present performance of Raymonds Ltd., exploratory research is the specific research methodology that was used. The study uses secondary data, which were gathered from the company's audited annual reports from 2013 to 2022 and information supplied for useful periodical analysis.

Five categories of financial analysis tools were used to test the study's hypothesis in order to meet the research objective. Comparative statement analysis, Common size income statement analysis, Trend analysis, Ratio analysis, Cash flow analysis, Fund flow analysis. The financial strength and weaknesses of Raymonds Ltd. are revealed by this study.

KEYWORDS:

Profitability; Performance; Financial Statements; Exploring; Sustainable.

INTRODUCTION:

Raymond, a renowned textile expert from India. Since its incorporation in 1925, Raymond has developed into a well-known brand. Within a few years, The Raymond Group went from being a large Indian textile company to a prominent global player. The best textiles in the world are produced by Raymond, including premium shirting, speciality ring denims, and wool and wool-blend worsted suiting. One of the biggest players in the domestic and international markets for fabrics, designer clothing, denim, cosmetics & toiletries, engineering files & tools, prophylactics, and air charter services is Raymond. All of the factories use cutting-edge technology that complies with the strictest quality standards while still being environmentally friendly and they are all ISO certified.

This study attempts to provide a thorough financial analysis of Raymond's, with an emphasis on its success financially over the time frame (2013-2022). To evaluate the company's financial performance and health, the research will make use of a variety of financial ratios, such as profitability, liquidity, and solvency ratios. The study paper's review of Raymond's growth potential and competitive environment will come as its conclusion. The study will examine its strategic goals and expansion strategies

LITERATURE REVIEW:

Introduction to Financial Statement Analysis: To understand the financial health of a company, financial statement analysis entails looking at its financial statements. Making educated decisions is aided by it for creditors, investors, and other parties involved. A good overview of financial statement analysis can be found in many papers.

Different Analytical Techniques: The financial statements can be analysed using a variety of techniques, including ratio, vertical, and horizontal analysis. These techniques aid in finding patterns and connections in a company's financial statements. Each approach has advantages and disadvantages.

Factors Affecting Financial Statement Analysis: A number of variables, such as the industry, the economy, the size of the business, and the accounting standards in use, can have an impact on financial statement analysis. These elements need to be taken into account when analysing financial statements.

Financial ratios are crucial for analysing financial statements because they give a quick picture of a company's financial situation. Investors and analysts frequently use ratio analysis to compare businesses in the same sector and to follow a company's performance over time.

Limitations of Financial Statement Analysis: Researchers should be aware of the limitations of financial statement analysis. The accuracy of the financial statements, the restrictions imposed by accounting standards, and the subjective nature of financial analysis are a few examples of limitations.

Applications of Financial Statement Analysis Valuation, credit analysis, and investment analysis are a few examples of the many applications of financial statement analysis. Financial statement analysis can be used by researchers to comprehend a company's financial situation and to make wise investment choices.

Software applications, spreadsheets, and financial models are just a few of the tools and methods that can be used to analyse financial statements. These instruments aid in automating the analysis process and delivering more precise outcomes.

PROBLEM STATEMENT:

What is Raymond’s Ltd.'s current performance, and how can the business retain its competitiveness and achieve continuous growth in the face of escalating competition, unpredictable economic conditions, and improvement strategies in the next few years?

NULL HYPOTHESIS:

Raymond’s have a setback in the beginning and close of the decade i.e., (2013-2022).

OBJECTIVE:

This research paper's objective is to evaluate Raymond's financial performance from 2013 until 2022.

The precise goals of these studies are to:

- Examine Raymond's success during these years using a variety of useful metrics, like Net profit, Profitability, Liquidity ratio, etc.
- Analyse Raymond's current ratio using the ratios of earnings per share, return on equity, and inventory turnover.
- To suggest Raymond’s the appropriate company approach so that it might prosper in the ensuing years.

METHODOLOGY:

This study uses a comparative research methodology to examine Raymond's financial performance from 2013 until 2023. The research evaluates a company's liquidity, solvency, profitability, and efficiency using a number of financial analysis methodologies, such as ratio analysis and trend analysis. The annual reports and financial statements of Raymond as well as papers and publications from the industry are used to create the analytical data. The study also looked at how the COVID-19 epidemic affected the industry as a whole and the performance of the company. Canvas tool is used to analyse the data and interpret.

ANALYSIS:

- Analysis from Ratio Analysis Tools:
  - The Return on Equity (ROE) ratio gauges a company's profitability by calculating how much profit it makes with the equity that shareholders have invested in the business.
  - The company had a net loss in 2013, as seen by the 2013 ROE of -4.64, which was negative and indicated a worsening in the company's financial performance.
  - The ROE ratio significantly increased in 2014, rising to 8%, signalling increased profitability and good news for the business.
  - The corporation is producing larger returns on the shareholders' equity than it did the year before, as seen by the ROE of 8.6 in 2015.
  - The ROE ratio marginally decreased to 6.62 in 2016, indicating a loss in financial performance that might be explained by a decline in profits or an increase in shareholder equity.
  - The ROE ratio significantly decreased in 2017 to 2.76, which may have been caused by declining profits, rising shareholder equity, or a combination of the two.
  - In 2018, the ROE ratio increased to 7.44, which is an improvement over the previous year's drop.
  - The ROE ratio for 2019 is 5.39, which is a little lower than it was in 2018, suggesting that the company's profitability may be slowing down.
  - The ROE ratio stayed the same in 2020 at 5.29, suggesting consistent performance but no advancement from the year before.
  - The company lost money in 2021, as evidenced by the negative ROE of -7.09, which represents a sharp fall in financial performance.
  - The company's profitability may continue to erode, as indicated by the significant negative ROE of -21.84 in 2022, which urges stakeholders and investors to pay more attention to the company's financial activities.

  - In 2013 and 2021, Raymond's business had a negative Earnings per Share (EPS) ratio.
  - The EPS ratio increased by 22.15 from the prior year in 2014, which was a notable improvement.
  - The company's EPS ratio increased consistently from 2015 to 2018, particularly in 2015 and 2018.
  - Compared to the prior year, the company's EPS ratio significantly declined in 2019, falling by 3.93 points.
  - In 2020, the company's EPS ratio climbed once more and peaked at 15.12.
  - In 2022, the EPS ratio considerably dropped from the prior year, falling by 44.35 points.
  - The EPS ratio's swings point to a lack of consistency in the business's profitability over time.
  - From 2013 through 2017, Raymond's business had stable inventory turnover percentages, with ratios ranging from 4.04 to 4.59. This shows that during this time, the business was successfully managing its inventories.
  - Inventory turnover ratios steadily decreased from 2018 to 2022, hitting a low of 0.48 in that year. This worrying pattern shows that the corporation is having trouble managing its inventories.
  - Many issues, like ineffective supply chain management, faulty demand forecasts, or a rise in obsolete inventory, may be to blame for the drop in inventory turnover rates.
  - The company may be hanging onto goods for longer periods than is typical, which might restrict cash flow and raise holding costs. This is indicated by the lower inventory turnover ratios from 2018 to 2022.
  - The business may need to review its inventory management techniques in order to determine what has changed and where improvements may be made in light of the consistently high inventory turnover percentages from 2013 to 2017.
  - In general, the lowering inventory turnover ratios emphasise how critical it is to regularly

review and closely monitor inventory management procedures to achieve the best performance and profitability.

- A company's capacity to settle its short-term debts with its current assets is gauged by its current ratio. The capacity to fulfil short-term obligations is better indicated by a greater current ratio.
- In 2013, Raymond's business had a negative current ratio, meaning it lacked adequate short-term assets to meet its short-term liabilities. Investors and creditors might find this troubling.
- The Current Ratio considerably increased in 2014, reaching 8.00, and remained high in 2015, reaching 8.6. This may indicate that the business had sufficient liquid funds to cover its immediate obligations.
- The company's capacity to pay its short-term obligations may have decreased in 2016, as the current ratio dropped to 6.62.
- A potential liquidity problem for the corporation was indicated by the Current Ratio's further decline in 2017 to 2.76. Investors and creditors can start to worry whether the company will be able to pay their debts.
- In 2018, the Current Ratio increased to 7.44, while in 2019 and 2020, it stayed relatively consistent at 5.39 and 5.29, respectively. Despite an improvement, the company's liquidity position is still below what it was in 2014 and 2015.
- As the Current Ratio plunged precipitously in 2021 to -7.09, it became clear that the corporation might be facing a financial problem. Investors and creditors might find this troubling.
- The Current Ratio dramatically decreased to -21.84 in 2022. This is a worrying development for the business and could indicate that it is having trouble

➢ Analysis from Trend Analysis Tool:

- The net profit/loss of the corporation had significant swings in both positive and negative directions from 2013 to 2017.
- The net profit increased significantly in 2017, rising by over 195% from the previous year. -
- However, compared to the prior year, the company's net profit dramatically dropped in 2018, falling by approximately 25%.
- A negative net profit of -118.49 crore was recorded in 2021, following modest increases in net profit in 2019 and 2020.
- According to the trend analysis, the company's performance has been highly erratic and unpredictable, with significant yearly variations in net profit or loss.

RECOMMENDATIONS:

Analyse and Increase Profitability: The substantial swings in the ROE and EPS ratios show that the company's financial performance is inconsistent. To increase profitability, Raymond's must examine and resolve the causes of these swings.

Pay attention to inventory management: The steady percentages of inventory turnover from 2013 to 2017 point to a sound inventory management strategy. Therefore, something needs to be done about the recent decline in inventory turnover rates. To spot possible problems and make improvements, the business should assess its inventory management procedures.

Current Address Ratio**:** Over the years, the current ratio has fluctuated significantly, with notable dips in 2013, 2016, 2017, and 2021. To make sure it can fulfil its immediate obligations, Raymond's must handle its liquidity condition.

Financial planning should be put into action because the trend analysis shows that there have been large swings in net profit or loss. To make sure that the business is better prepared for any future changes in the market or sector, Raymond's must undertake sound financial planning.

Product Offering Diversification: Raymond's may want to think about expanding its range of products beyond the textile sector in order to assure long-term growth. This would enable the business to diversify its revenue sources and lessen its reliance on a single industry.

Business plan recommendation for Raymond's:

Evaluate and Enhance Inventory Management Techniques: Given that inventory turnover ratios were consistently high from 2013 to 2017 and then significantly decreased from 2018 to 2022, it is necessary to examine and enhance inventory management strategies. The company may need to look into the causes of the declining inventory turnover ratios and make adjustments to deal with the problem.

Concentrate on Raising Profitability: As profitability has fluctuated over time, the company needs to concentrate on improving it. The business can expand into new areas to boost sales, manage resources more efficiently to cut costs, and enhance pricing methods to boost profit margins.

Increasing Liquidity Position: Over time, the company's liquidity position has fluctuated, showing negative ratios in 2013 and 2021 and a sharp decline in 2022. By boosting current assets, reducing current liabilities, or doing both at once, the company needs to have a stronger liquidity position.

Product diversification: To lessen the company's reliance on the sale of a particular product, diversifying the company's products into other sectors of the textile industry may be a wise move. As a result, there may be more opportunities for revenue and less chance of a market- specific decline.

Better Supply Chain Management: Achieving greater financial performance requires improving supply chain management. Technology can be used by the business to enhance forecasts, track patterns in demand, and streamline manufacturing procedures.

Cost optimisation: Identifying ways to save expenses, such as implementing effective production processes, purchasing tactics, lowering distribution costs, and outsourcing non- core tasks where necessary, could significantly boost the bottom line.

Increase Brand Value: The textile industry is well aware of Raymond's reputation and brand worth. By utilising this power, the business can introduce products at competitive rates, grow its clientele, and create brand equity, all of which will increase sales.

Employee Welfare: Maintaining qualified personnel and luring in new hires depend on employee welfare. The company may improve employee training programmes, give appealing compensation packages, and foster a healthy work environment.

In conclusion, Raymond can enhance its financial performance by leveraging its position in the textile sector. The company can achieve long-term growth and success with the support of a sustainable plan that emphasises inventory management, profitability, liquidity position, diversification, supply chain management, cost optimisation, branding activities, and staff welfare.

FINDINGS:

The following conclusions are drawn from the analysis of Raymond's Corporation performed utilising ratio analysis tools:

- The ROE ratio determines how profitable an organisation is based on the equity that shareholders have contributed to the company. According to the 2013 ROE of -4.64, which was negative and showed a decline in the business's financial performance, the company incurred a net loss in 2013. By dramatically climbing to 8% in 2014, the ROE ratio indicated improved profitability and positive news for the company. The company's ROE of 8.6 in 2015 demonstrated that it was making higher returns on shareholders' equity than it did the year before. In 2016, the ROE ratio modestly fell to 6.62, indicating a dip in financial performance that might be attributed to a drop in profits or a rise in shareholder equity. Reduced profits, increased shareholder equity, or a combination of the two may have contributed to the ROE ratio's considerable decline in 2017 to 2.76. The ROE ratio increased to 7.44 in 2018, which is an improvement over the decline of the prior year. While the company's profitability may be slowing down, the ROE ratio for 2019 is 5.39, which is a little lower than it was for 2018. At 5.29, the ROE ratio remained constant in 2020, indicating constant performance but no improvement from the previous year. The negative ROE of -7.09, which implies a dramatic decline in financial performance, shows that the company lost money in 2021. Given the large negative ROE of -21.84 in 2022, which suggests that the company's profitability may continue to decline, stakeholders and investors are urged to pay closer attention to the company's financial operations.

- Raymond's company has a negative Earnings per Share (EPS) ratio in 2013 and 2021. The EPS ratio improved noticeably over the prior year in 2014, rising by 22.15. Particularly in 2015 and 2018, the company's EPS ratio increased steadily from 2015 to 2018. The company's EPS ratio drastically decreased in 2019 when compared to the previous year, dropping by 3.93 points. The company's EPS ratio increased once more in 2020, reaching a peak of 15.12. The EPS ratio decreased by 44.35 points from the previous year in 2022, a significant decrease. The fluctuations in the EPS ratio indicate a lack of continuity in the company's profitability over time.

- Inventory turnover rates at Raymond's company were consistent from 2013 to 2017, ranging from 4.04 to 4.59. This demonstrates that the company was successfully managing its supplies at the time. From 2018 to 2022, inventory turnover ratios continuously dropped, reaching a low of 0.48 in that year. This unsettling trend demonstrates that the company is having problems controlling its inventory. The decrease in inventory turnover rates may be caused by a variety of factors, including poor supply chain management, inaccurate demand estimates, or an increase in obsolete inventory. The company might be keeping goods on hand for longer than usual lengths of time, which could limit cash flow and increase holding costs. The decreased inventory turnover ratios from 2018 to 2022 are evidence of this. With the continually high inventory turnover percentages, the company may need to assess its inventory management procedures to ascertain what has changed and where improvements might be made.

LIMITATIONS:

1. Due to a lack of data or data that was ambiguous, not all of the major financial analysis techniques could be used.
2. The focus of this study is on a select few analytical methods. To better analyse the data, more statistical analysis methods must be applied.

WAY FORWARD:

i. For a deeper knowledge of Raymond's financial situation, other financial statement analysis tools, such as Common Size Statement Analysis, Cash Flow Analysis, and Fund Flow Analysis, can be used.

ii. You can use this study paper to assess how it stacks up against its rivals.

iii. Given that there isn't a significant external cause that can have an exponentially negative impact on the organisation, predictions can be made based on this study.

ANNEXURE:

To obtain useful data about a company, financial ratios are constructed using numerical values collected from financial statements. Quantitative analysis is used to evaluate a company's liquidity, leverage, growth, margins, profitability, rates of return, valuation, and other factors using the data on its financial statements, which include the balance sheet, income statement, and cash flow statement.

Ratio Analysis Tools:

Ratio analysis is the study of several financial data points seen in a company's financial statements. They are mostly used by outside analysts to assess a business's profitability, liquidity, and solvency, among other factors.

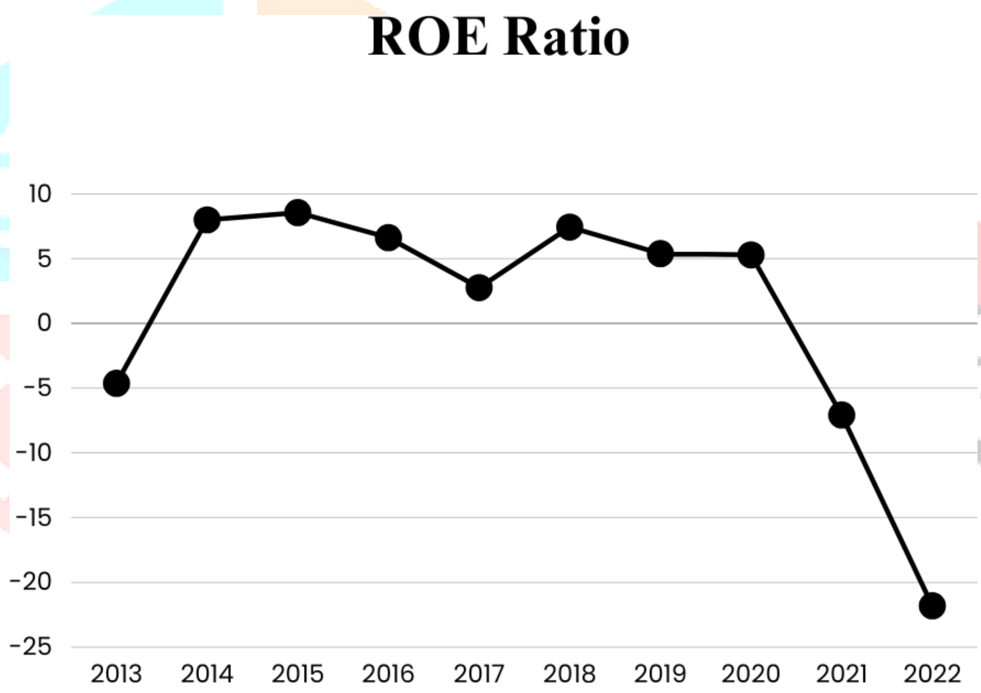
1. **Profitability ratio:**

   1.1 Return on Equity Ratio

The return on equity ratio measures how efficiently a company is using its equity to generate profit:

Return on equity ratio = Net income / Shareholder's equity

Year	Return on Equity Ratio
2013	-4.64
2014	8.00
2015	8.56
2016	6.62
2017	2.76
2018	7.44
2019	5.39
2020	5.29
2021	-7.09
2022	-21.84



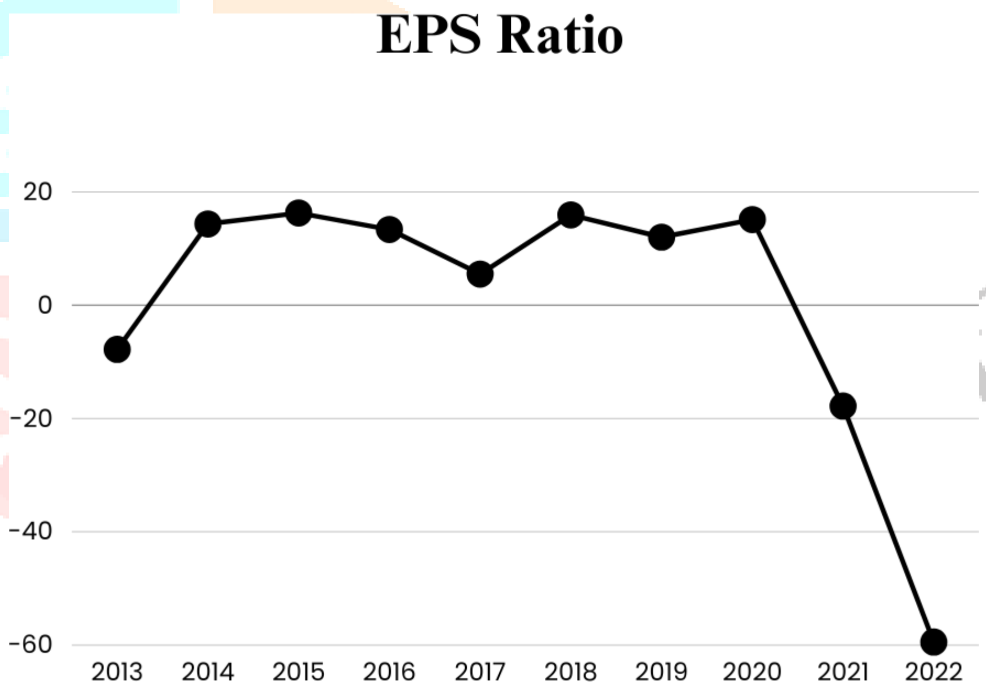
2. Per Share Ratio:

2.1 Earnings Per Share Ratio

The earnings per share ratio measures the amount of net income earned for each share outstanding:

Earnings per share ratio = Net earnings / Total shares outstanding

Year	Earnings Per Share Ratio
2013	-7.79
2014	14.36
2015	16.29
2016	13.37
2017	5.51
2018	15.96
2019	12.03
2020	15.12
2021	-17.80
2022	-59.47



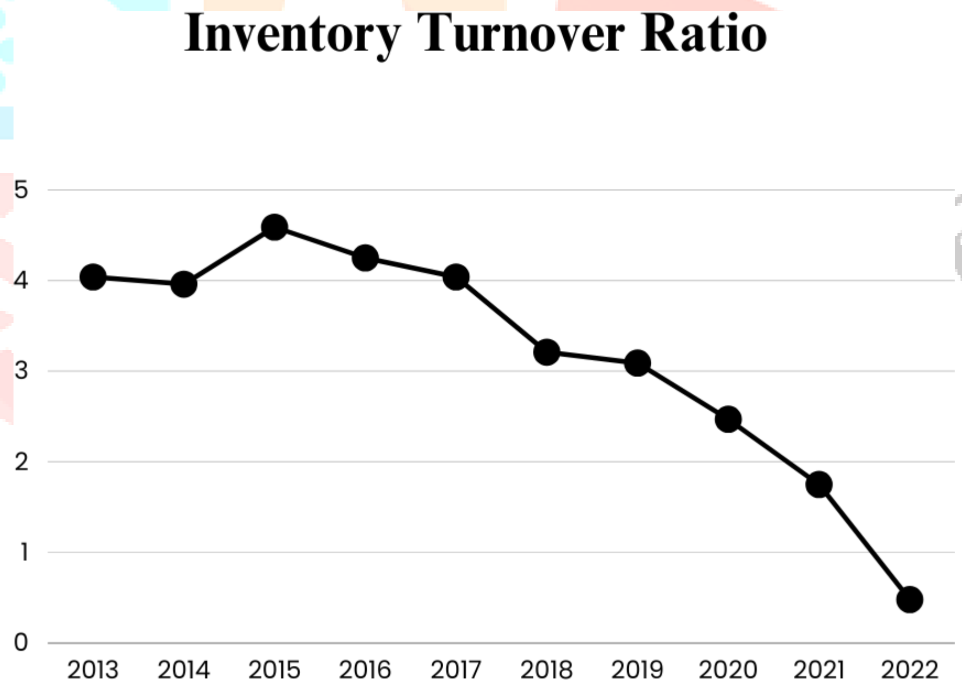
3. Efficiency Ratio:

3.1 Inventory turnover ratio

The inventory turnover ratio measures how many times a company's inventory is sold and replaced over a given period:

Inventory turnover ratio = Cost of goods sold / Average inventory

Year	Inventory Turnover Ratio
2013	4.04
2014	3.96
2015	4.59
2016	4.25
2017	4.04
2018	3.21
2019	3.09
2020	2.47
2021	1.75
2022	0.48



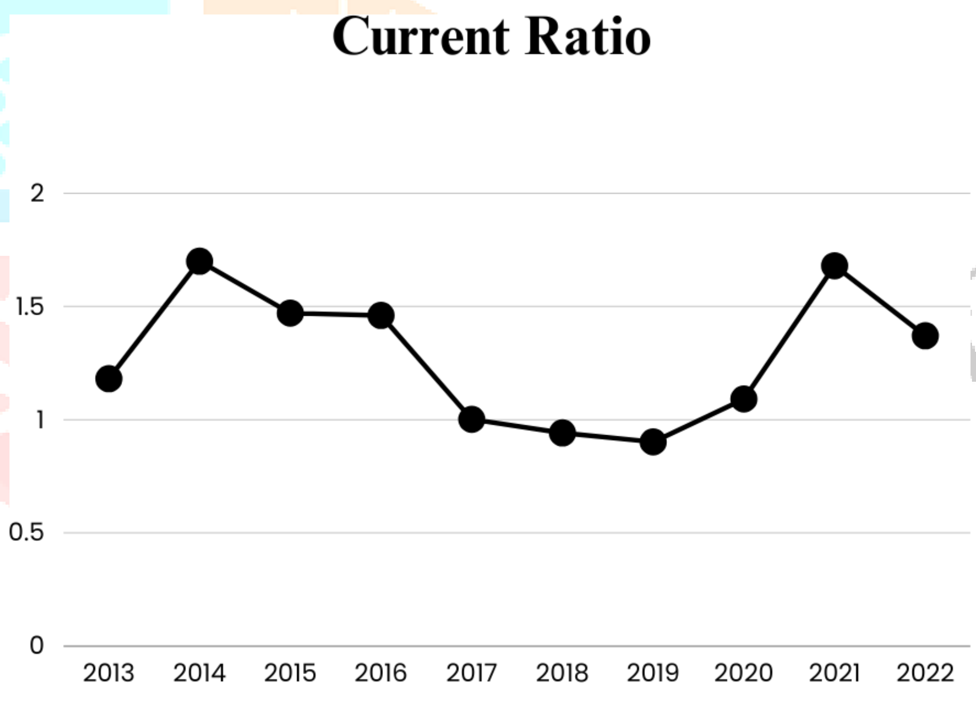
4. Liquidity Ratio:

4.1 *Current ratio:*

The current ratio measures a company's ability to pay off short-term liabilities with current assets:

Current ratio = Current assets / Current liabilities

Year	Current Ratio
2013	1.18
2014	1.70
2015	1.47
2016	1.46
2017	1.00
2018	0.94
2019	0.90
2020	1.09
2021	1.68
2022	1.37



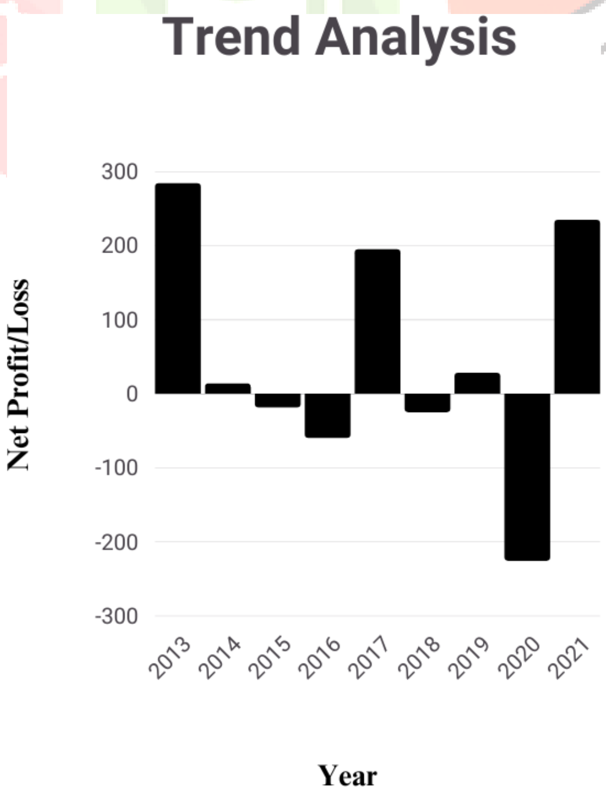
Trend Analysis Tool:

A statistical technique called trend analysis uses previous trends to predict future movements of a particular variable. In other words, it is a technique designed to forecast future actions based on past ones.

Years	Net Profit/ Loss in that Year
2013	-47.84
2014	88.12
2015	100.00
2016	82.09
2017	33.3
2018	98.07
2019	73.82
2020	94.32
2021	118.49
2022	395.92

The trend analysis calculation:

Year	Trend Percentage
2013	284
2014	13.5
2015	-18.09
2016	-59.46
2017	194.65
2018	-24.65
2019	27.82
2020	-225.43
2021	234.42



RESULT:

Using ratio analysis methods and trend analysis, the analysis offers insight into the financial success of Raymond's business over the decade. Indicating the company's profitability is the Return on Equity (ROE) ratio, which was negative in 2013 and 2021 but considerably increased in 2014 and remained constant until 2018 before decreasing once more. The Earnings per Share (EPS) ratio reveals swings in the company's profitability, with an increase in 2014, steady growth from 2015 to 2018, a dip in 2019, a peak in 2020, and a sharp decline in 2022. The inventory turnover ratio was consistent from 2013 to 2017 but started to fall from 2018, pointing to a problem with inventory management. The Current Ratio showed a negative trend between 2013 and 2021, then showed signs of improvement in 2014 and 2015, a decrease in 2016 and 2017, an increase in 2018, a steady trend in 2019 and 2020, then a sharp decline in 2021 and 2022, pointing to a potential liquidity concern. Overall, the research identifies several troubling tendencies and shows that the company must enhance its financial management in order to maintain profitability and financial stability. Hence Raymond's have a setback in the beginning and close of the decade i.e., (2013-2022).

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