

FINAL REPORT

COMPANY NAME: MAGSONS GROUP



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Roll No: 1957

MBA Finance

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16.	ANNEXURE: All the Data Used in the report is based on this Excel File https://drive.google.com/file/d/1SQqmS_v_N0vQGVTeY6vryYhZpsJB8u85/view?usp=sharing

COMPANY PROFILE

Magsons Group

In the beginning of 90's, precisely in 1990, MAGSONS entered into the field of Supermarkets by pioneering its first store at Miramar. The Store was the brainchild of Kirit and Andrea Maganlal who discovered a niche business un-catered till then except by some unorganized players and public co-operative stores. The effective Store area was 800 sq. ft and the project housed, apart from the Supermarket, a well appointed Hotel, Restaurant and Bar, a Bank ATM, a Pizzeria and Ice parlour and Florist services. In the absence of sufficient market exposure and the fact that life in the tiny, idyllic State of Goa was unhurried and more laissez-faire than commercial, it was nearly a decade later that MAGSONS turned around and broke even. Despite the challenges and hurdles along the way, the Group was consistently aggressive in retaining its core business values and promoting growth.

STRATEGIC ANALYSIS

VISION & MISSION STATEMENT

Vision

Our Vision is to be the foremost regional player in the State and constantly attempt to raise the bar by providing innovative services and offerings to our customers thereby creating customer delight in each and every sphere of his interaction with the Group.

Mission

Our Mission is to provide our customers with a fully holistic shopping experience unmatched in our region while encouraging and empowering our employees and associates to grow and progress as individuals and as business partners with us.

SWOT ANALYSIS

Swot stands for Strength, Weakness, Opportunity, and Threat

<u>Strength</u> <ul style="list-style-type: none">➤ Strong Brand Name➤ Strong Relationships with suppliers➤ Strong Customer Base➤ First Mover Advantage➤ Superior Product and Service Quality➤ Strong Business Fundamentals<ul style="list-style-type: none">➤ Large Range of FMCG Products➤ Strong Distribution Network	<u>Weakness</u> <ul style="list-style-type: none">➤ Poor Inventory Management➤ Ground Staff undertrained➤ Lack of communication between Upper management and lower staff➤ Slow in implementing new improvement strategies
<u>Opportunities</u> <ul style="list-style-type: none">➤ Caters mostly to high end customers➤ Digital Marketing Strategies can be implemented to Magsons Online store➤ Opportunity to monetize in other locations	<u>Threats</u> <ul style="list-style-type: none">➤ Sales are highly price sensitive➤ Local retailers

VRIN ANALYSIS

VRIN stands for:

- Valuable: meaning that they must be a source of greater value
- Rare: rareness implies that the resource must be rare in the sense that it is scarce relative to demand for its use or what it produces
- Inimitable: it is difficult to imitate
- Non substitutable: other different types of resources cannot be functional substitutes.

Resources	V	R	I	N
Distribution Network	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Large Range of FMCG Products	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Brand Value	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Customer Base	<input checked="" type="checkbox"/>			
Inventory Management			<input checked="" type="checkbox"/>	
Delivery Network	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Access to Human Resources	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Location of Stores	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Relationship with suppliers	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

Distribution Network:

It is the flow of goods from the suppliers to the end customer.

Brand Value:

The value that the name of the brand carries in the customer's mind.

Customer Base:

The number of regular customers that have the purchasing power.

Inventory Management:

The efficient management of the good that come in the business.

Delivery Network:

This helps in keeping the distribution network efficient.

Access to Human Resources:

The abundance of Human resource available to the company.

Location of Stores:

Location of stores play an important role for retail business, as it increases the ease of shopping to customers.

Relationship with suppliers:

This determines how quick the orders are processed, discounts available to the retailer and overall ease of doing business,

Industry Analysis

PORTER'S 5 FORCE ANALYSIS

Porter's five forces are:

- 1. Competition in the industry**
- 2. Potential of new entrants into the industry**
- 3. Power of suppliers**
- 4. Power of customers**
- 5. Threat of substitute products**

1.Competition in the industry:

The competition in the retail industry is quite fierce and intense. From Kirana stores to other small shopping centres to e-Commerce giants, there exists cut throat competition almost everywhere in the retail space.

Offering variety of products for maximizing customer satisfaction and strengthening customer loyalty and gaining a competitive edge over the counterparts by achieving economies of scale in production can help reduce competition.

2.Potential of new entrants into the industry:

The new entrants can offer low-cost offerings with improved features for luring the customers, but this requires deep pockets.

3.Power of suppliers:

The factors which govern the strength of the bargaining power of the suppliers are the uniqueness of the inputs or the raw materials, the quality of the product which is offered by the suppliers and more demand for the supplier's products will increase the bargaining power of the suppliers.

4.Power of customers:

In case of the retail industry, the bargaining power of the buyers is expected to be very high because of the easy availability of plenty of substitutes with better price offerings, volumes purchased by the buyers, sensitivity towards the pricing/cost related factors and poor loyalty towards the brand.

5.Threat of substitute products:

In the retail industry, the threat from the substitutes is very high. With the availability of more substitute products, the buyers will get more options to choose from the available alternatives for satisfying their requirements. The willingness of the buyers to buy the substitute products is directly dependent upon various factors such as quality, prices and the performance of the substitute products.

PESTEL ANALYSIS

POLITICAL - Political factors like government policies and regulation of the retail industry affect its revenue and profitability. The political environment affects so many things including economic environment of a nation and international supply chains of businesses.

ECONOMIC - Economic factors are always very important in the context of trade and business. The state of the world economy decides the state of sale and profits for the industry.

SOCIAL - Social trends are also a major impact on the retail sector and its profitability. Demographic changes and changing consumer preferences are going to have a deep impact on retail sector.

TECHNOLOGICAL - Technological factors are now all the more important whether in terms of supply chain, customer service or sales. The growth of digital technology has also increased the number of players in the retail industry.

ENVIRONMENTAL - The retail sector is also affected by the sustainability concerns. Packaging, waste reduction, renewable energy and several other concerns related to sustainability are there before the retail sector.

LEGAL - The legal factors are also just as important for the retail sector. There are so many laws related to business and employment that affect it specially Labor Law. The legal scenario is quite complex, and retailers have to be cautious since any violation can result in big fines.

PROJECT TOPIC

Comparative Study Of Financial's Of Magsons Group Vs Other Major Retail Players in OFFLINE Retail.

PROJECT PROBLEM

There's No Proper Communication between the Ground Staff and Upper Management. Lack of training given to GRN Staff. The GRN or Goods Received Note helps in reporting purchases and helps in inventory management. The upper management has set rules for reporting GRN.

These rules are as follows:-

1. The following details should be noted correctly while preparing GRN : Name of vendor, Address of vendor, Invoice number ,Date of invoice ,GSTN/TIN number , Magsons Name , Outlet address ,Description of product, Quantity, Amount, Tax, Net amount, Gross amount, Authorised signatory details (Name & Sign).
2. GRN details (Sign, date, items verified), Difference between Invoice date & GRN date should not exceed 2 Days, Difference between GRN date to voucher date should not exceed 4days.

While auditing the purchases we noticed that these rules were not followed consistently. So, I asked the ground staff about the rules that they had to comply with And surprisingly they were not aware of the same.

This may cause errors in accurate financial reporting....This problem was mentioned in the audit report and will be presented to the upper management of Magsons.

LITERATURE REVIEW

Article-1

Phillips Michael D, Volker John X , Anderson, Steven J (2000), examined a behavioral comparison of financial ratios for different size privately-held retail and service businesses. They used data period in their study from 1998 to September 2000. They have investigated the cross-sectional variations of financial ratios that are activity , leverage , profitability & liquidity among different size private companies. To analyse the formulated objectives they have used T-test , Ratio Analysis. Finally from their result they concluded strong evidence that small retail firms perform differently than larger retail firms in all categories and time periods. Service firms had the strongest and most consistent differences in activity and profitability ratios. Separate comparisons of the retail and service sectors also showed significant performance differences in every ratio category.

Article-2

Raju Sharma (2012), examined by comparing and analyzing financial statements to make an investment decision. They used data period in their study from 2008 to 2011. They have investigated by comparing the financial statements of different companies that are General Motors, Ford, Nissan and Toyota are the four automotive company used for the purpose. To analyse the formulated objectives they have used cross sectional and time series techniques ,quantitative & qualitative methods. Finally from their result they concluded with the finding that “Investment into automotive industry is risky in the present situation”.

Article-3

Rohit Bansal (2014), examined a comparative financial study by evidence from selected indian retail companies. They used data period in their study from 2009 to 2013. They have investigated a comparative financial study on Hindustan Unilever Ltd, Vishal retail, Shoppers stop, and Pantaloons fashion & retail companies. To analyse the formulated objectives they have used Descriptive Statistics , DuPont Analysis , Ratio Analysis. Finally from their result they concluded after analyzing the financial data of all the four companies under the fifteen financial ratios project under two folds:-For long term and secure investment one can go for “Hindustan Unilever Limited” as it has shown a stable and steady growth over the period. While for those who look for short and high returns with a greater risk factor can go for V2 Retails as it’s a new company and it’s in a growing stage.

Article-4

Faruk Hossan & Md Ahsan Habib (2008) examined performance evaluation and ratio analysis of pharmaceutical company in Bangladesh. They used data period in their study from 2007 & 2008. They have investigated performance evaluation and ratio analysis of Beximco and Square pharmaceutical companies in Bangladesh. To analyse the formulated objectives they have used Ratio Analysis, Model of performance evaluation, Quantitative Approach. Finally from their result they concluded that the Beximco Pharmaceutical Company is the best performance between the Square Pharmaceutical Company.

Article-5

Dr. Ayad Shaker Sultan (2013) tried to analyse the financial statements and measure the performance in terms of assets utilization, and profitability. They used data period in their study from 2004 to September 2013. They have investigated to analyse the financial statements and measure the performance in terms of assets utilization, and profitability. To analyse the formulated objectives they have used Descriptive method, Correlation matrix, Ratio Analysis, Trend Analysis. Finally from their result they concluded ROE is the most comprehensive measure of profitability of a firm; it considers the operating and investing decisions made as well as the financing and tax related decisions.

PROJECT QUESTION

- 1) How Profitable is Magsons compared to other Retail players?
- 2) Which category of products makes most of Magsons Revenue and Income?
- 3) How does Magsons key financial ratios compare with other retail

PROJECT OBJECTIVES

- 1) To compare Magson's Financial performance with other Retail players in the market.
- 2) To compare Magson's sales category wise.

PROJECT METHODOLOGY

The Sample Size for study is 5 Companies (including Magsons). The type of data to be used is Secondary Data from the Company's Annual reports. The data will be analysed over a 3-year period.

The tools & techniques that will be used for the study are Common Size Analysis (vertical analysis), Horizontal Analysis , Ratio Analysis & Graphical Analysis.

The 3-year financial performance of the companies will be analysed by horizontal analysis first. The average performance for each company will then be assigned based on the 3-year performance.

A common size statement will then be made for each company based on the previous step and the companies will then be compared with each other based on key performance indicators.

Ratio analysis will also be done for each company based on a 3-year average performance.

All the results will be put up graphically for visual analysis.

PROJECT HYPOTHESES

- 1) I have assumed that 100% of the revenue generated is from offline retail in the chosen companies. (Online sales for all the companies chosen do not exceed 5%)
- 2) The study has been carried out for the period of 3 years and it is not sufficient enough to analyze the entire aspect of the company.
- 3) Change in the bookkeeping procedures (if any) by a firm is ignored.
- 4) The effect of high inflation in FY21 due to covid 19 was ignored.

PROJECT FINDINGS

- 1) Based on each KPI above, I have ranked all companies from 1 to 5. (1 Being the best and 5 the least)

The details of the ranking can be found in the excel sheet linked to this report.

Based on the ranks assigned the company that performs the best is

Rank 1: Avenue Supermarts Ltd

Rank 2: Magsons Offline

Rank 2: Osia Hyper Retail Ltd

Rank 4: Spencer Retail Ltd

Rank 5: Fretail Ltd

- 2) Operations wise both Magsons and Spencer Retail have made a loss. Magsons however had a net profit thanks to its other income. Spencer Retail on the other hand suffered a loss overall of about 2%.
- 3) Magsons and Osia Hyper Retail Ltd both provide at least 0.12% of its Gross profit as CTC to its employees. That is almost 20 times more than what Spencer, Fretail or what Avenue Supermarts are offering to their employees.
- 4) Looking at Magsons P&L, finance costs make up 3.8% of sales value and other expenses makes up 7.5% of the sales value. Avenue Supermarts (The best performer in operating profit category) has finance cost at 0.3% of sales value and other expenses at about 5%.

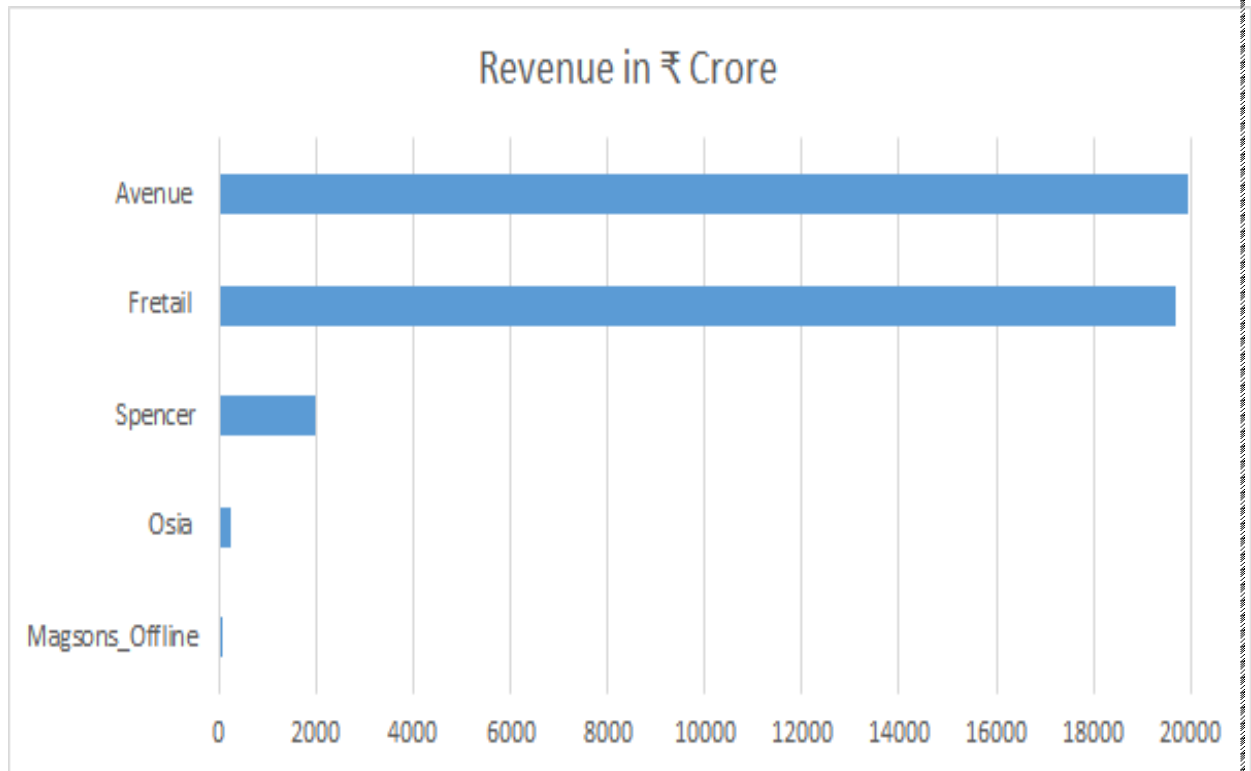
PROJECT DATA ANALYSIS

The firm I worked at was Magsons. It is a retail business. I have compared the financial performance of Magsons offline sales with other listed companies namely Avenue Supermarts Ltd, Osia Hyper Retail Ltd, Spencer Retail Ltd and Fretail Ltd

Category wise breakdown of sales at Magsons :

Product Category	Contribution
BAKERY	1.30%
BEVERAGES	8.04%
DAIRY PRODUCTS	9.52%
FRESHLINE AND FROZEN PRODUCTS	12.22%
FRUITS AND VEGETABLES	7.22%
GROCERY AND COOKING ITEMS	9.80%
HOME CARE AND GENERAL	8.69%
LIQUOR	19.19%
PACKAGED FOODS	18.79%
PERSONAL CARE	5.22%
Grand Total	100.00%

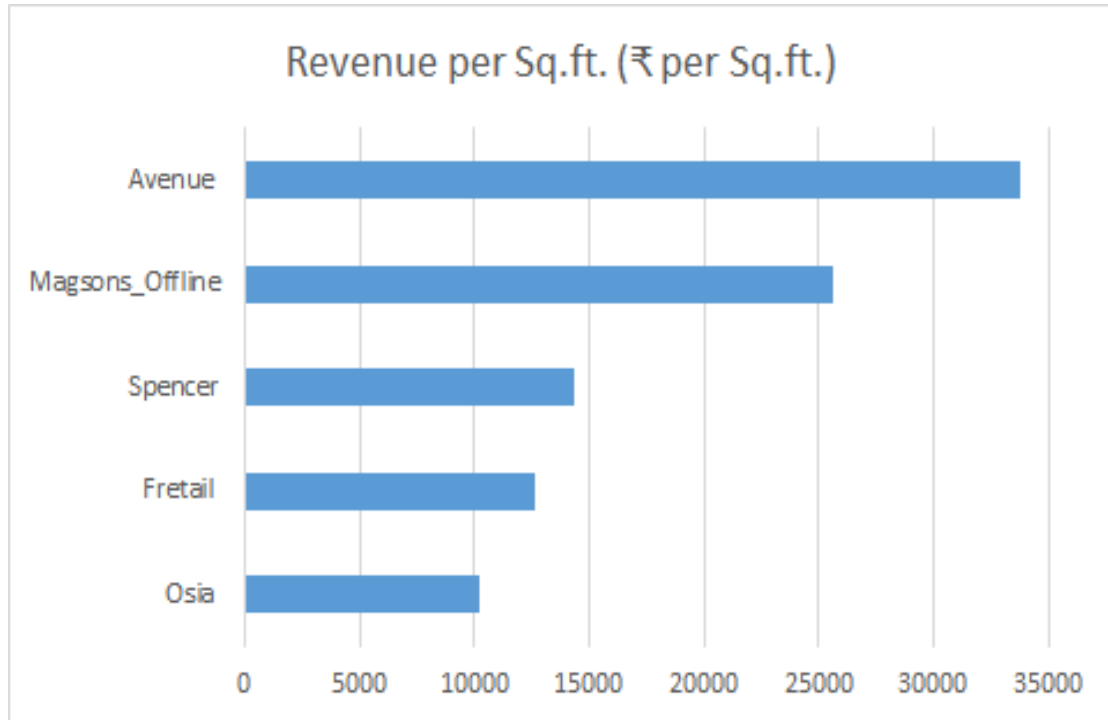
1) Revenue



The revenue is given above to show the scale of operations of all the companies involved.

The ranking is as seen above, with Avenue Supermarts at the top and Magsons at the bottom.

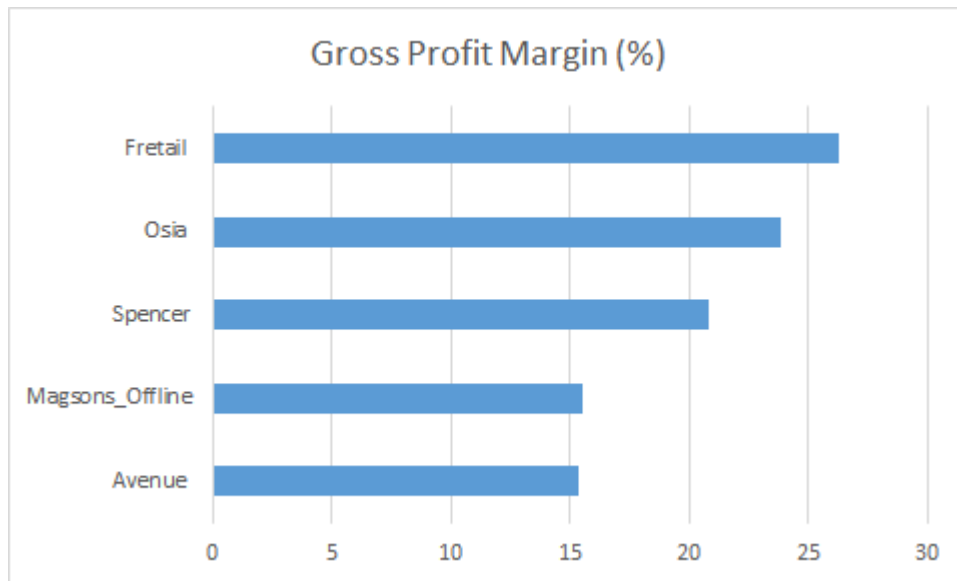
2) Revenue per Sq. Ft. (₹ per Sq. Ft.)



Revenue per Sq. ft. is an important metric in offline retail and the ranking is shown above.

Avenue Supermart has the highest Revenue per Sq. ft. while Osai Hypermart has the least in our sample size.

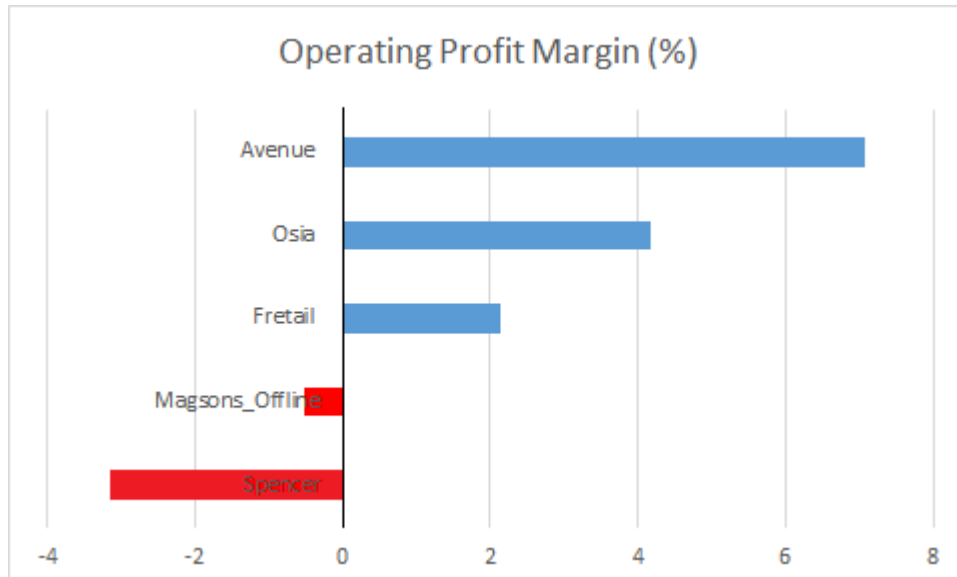
3) Gross Profit Margin (%)



$$\text{Gross Profit Margin} = \frac{\text{Net Sales} - \text{COGS}}{\text{Net Sales}}$$

Gross profit margin is a metric analysts use to assess a company's financial health by calculating the amount of money left over from product sales after subtracting the cost of goods sold (COGS). Sometimes referred to as the gross margin ratio, gross profit margin is frequently expressed as a percentage of sales.

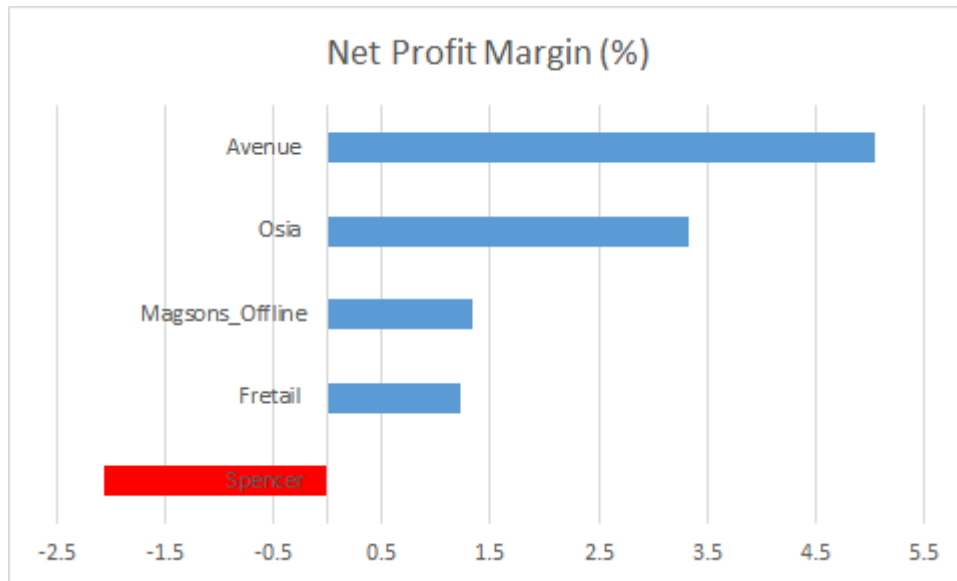
4) Operating Profit Margin (%)



$$\text{Operating margin} = \frac{\text{Operating income}}{\text{Revenue}}$$

Operating margin measures how much profit a company makes on its sales after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax. It is calculated by dividing a company's operating income by its net sales. Higher ratios are generally better, illustrating the company is efficient in its operations and is good at turning sales into profits.

5) Net Profit Margin (%)



$$\begin{aligned}\text{Net profit margin} &= \frac{R - COGS - E - I - T}{R} * 100 \\ &= \frac{\text{Net income}}{R} * 100\end{aligned}$$

where:

R = Revenue

$COGS$ = The cost of goods sold

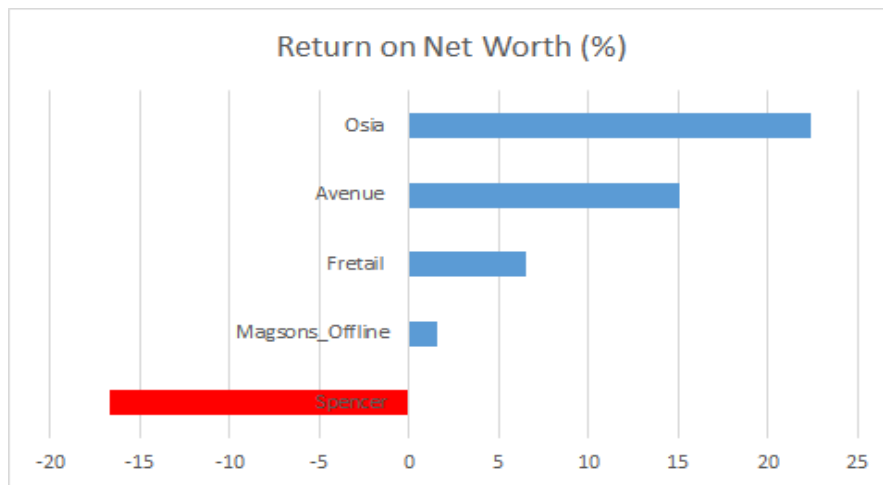
E = Operating and other expenses

I = Interest

T = Taxes

The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company or business segment. Net profit margin is typically expressed as a percentage.

6) Return on Net Worth (%)

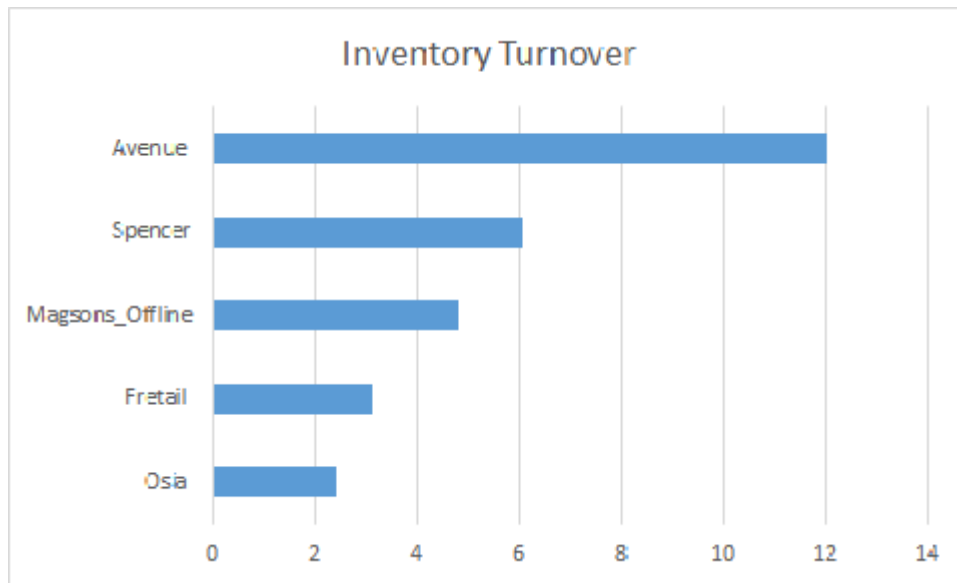


Also known as “Return on Equity” the formula is as follows :

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

The return on equity (ROE) is a measure of the profitability of a business in relation to the equity. Because shareholder's equity can be calculated by taking all assets and subtracting all liabilities, ROE can also be thought of as a return on *assets minus liabilities*. ROE measures how many dollars of profit are generated for each dollar of shareholder's equity. ROE is a metric of how well the company utilizes its equity to generate profits.

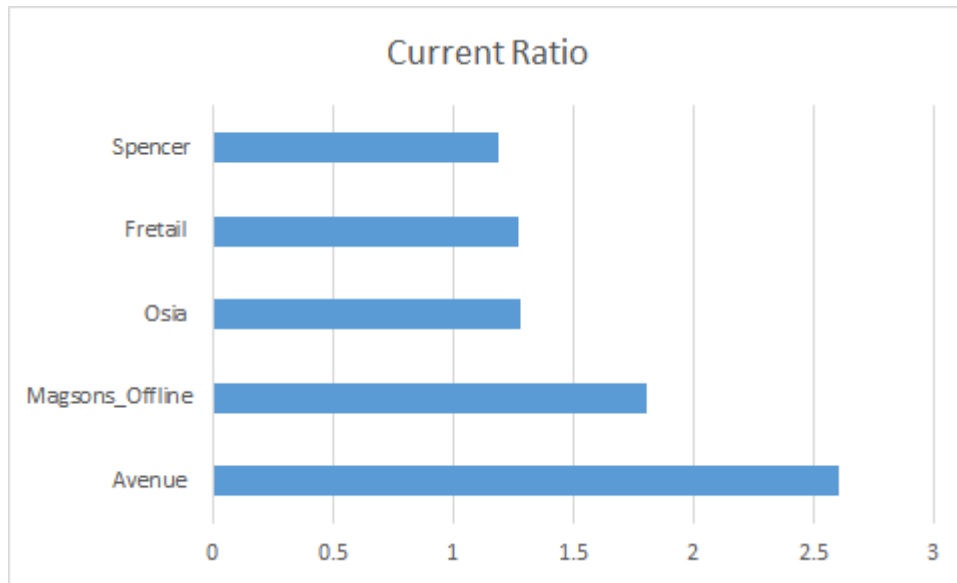
7) Inventory Turnover



$$\text{Inventory Turnover} = \frac{\text{Net Sales}}{\text{Average Inventory at Selling Price}}$$

Inventory turnover is a financial ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand.

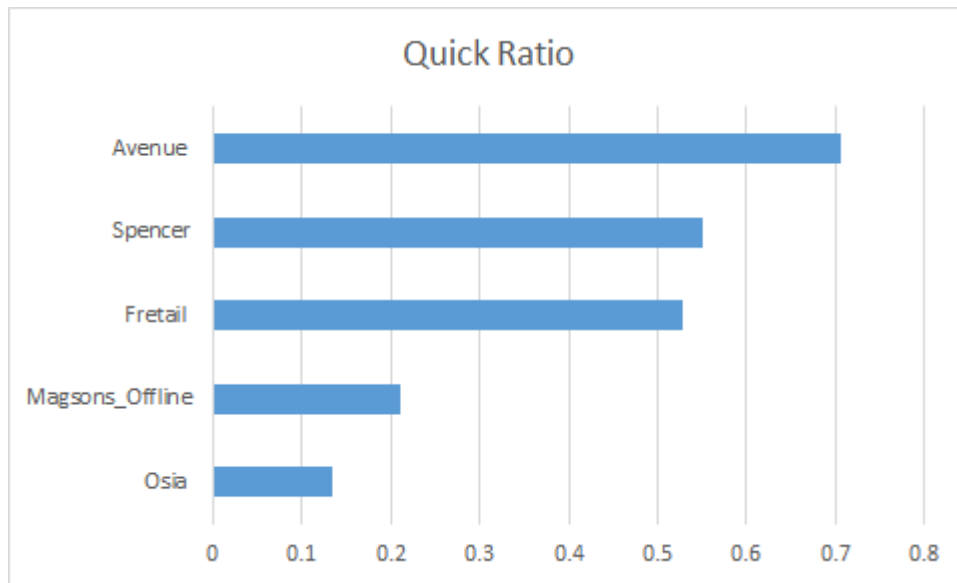
8) Current Ratio



$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

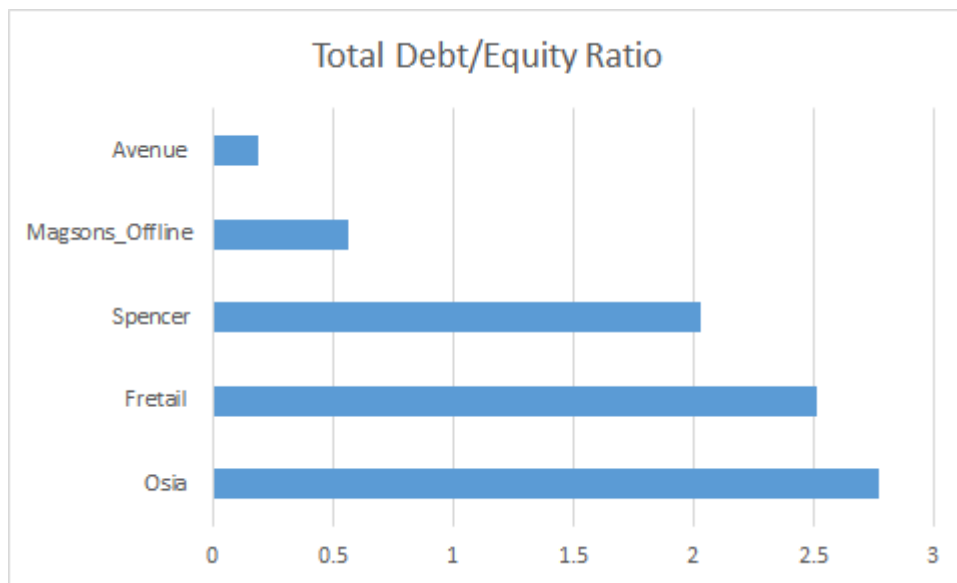
9) Quick Ratio



$$\text{Quick Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

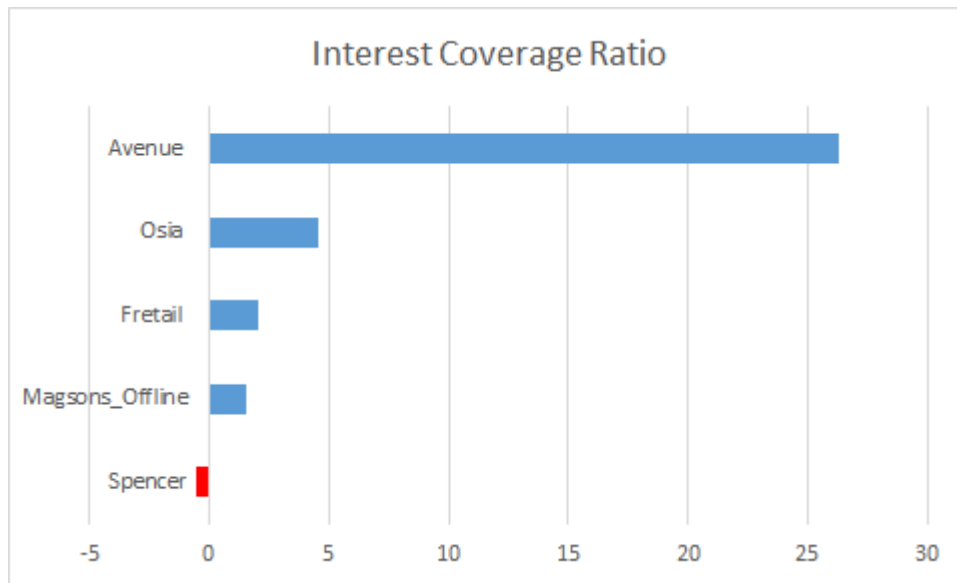
The quick ratio is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets.

10) Total Debt/Equity Ratio



The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity.

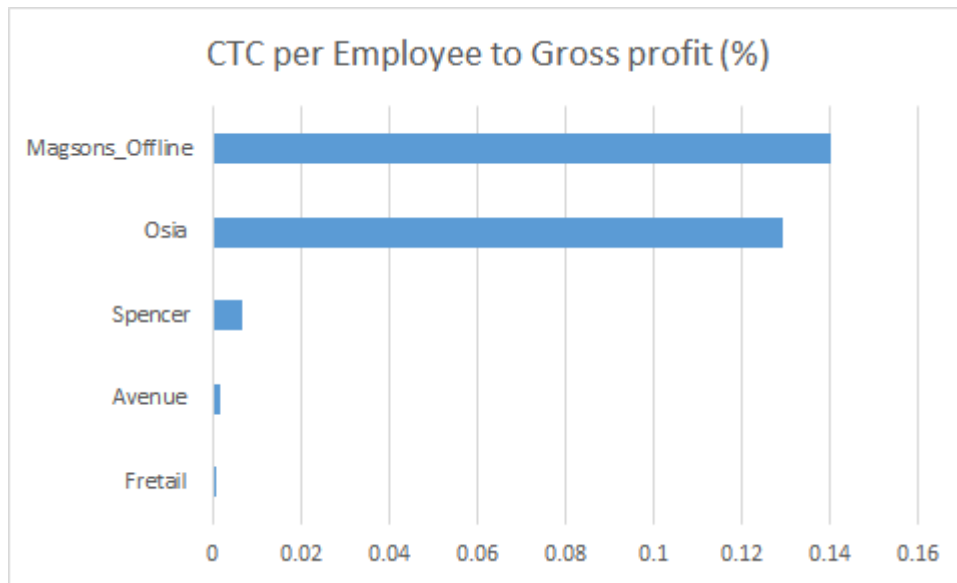
11) Interest Coverage Ratio



$$\text{Times-Interest-Earned} = \frac{\text{EBITDA}}{\text{Interest Expense}}$$

The interest coverage ratio is a debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. The interest coverage ratio may be calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period.

12) CTC per Employee to Gross profit (%)



Another way to think about this metric is “How much percent of gross profit does each employee get?”

Formula= $\text{Employee benefit expense} / \text{Total Employees} / \text{Gross Profit}$

Overall Data in Tabular form:

	Avenue	Fretail	Spencer	Osia	Magsons_Offline
Employee CTC to Gross Profit (%)	11.90876502	19.3085424	34.1769267	26.10038514	27.99145451
CTC per Employee to Gross profit (%)	0.001580865	0.00051009	0.006487952	0.129209827	0.139957273
Gross Profit Margin (%)	15.37038925	26.2394815	20.80270351	23.80341299	15.49980343
Operating Profit Margin (%)	7.061930166	2.13047337	-3.1602594	4.177731067	-0.516316724
Net Profit Margin (%)	5.035229794	1.23107126	-2.0662757	3.321925144	1.327056725
Inventory Turnover	12.0345526	3.13485991	6.066162178	2.399063011	4.798812436
Current Ratio	2.602365316	1.27520815	1.187292455	1.283215769	1.804761825
Quick Ratio	0.705589608	0.52766385	0.550365546	0.133398547	0.209690594
Total Debt/Equity Ratio	0.184398473	2.51579602	2.027191674	2.772660519	0.560351931
Return on Net Worth (%)	15.05255421	6.51322223	-16.6287547	22.43231789	1.588701026
Interest Coverage Ratio	26.2957603	2.08867001	-0.58419295	4.556094373	1.580676053
Revenue per Sq.ft. (₹ per Sq.ft.)	33748.33333	12646.0537	14347.19409	10250.22609	25672.69565

Recommendation to the Company

- 1) Based on my experience auditing the sales vouchers and inventory of Magsons, I have to say the Ground staff that handles the GRN (Goods Received Note) needs clear training of how to generate the GRN. Because the rules laid down by management was not effectively followed.
- 2) Performance wise Magsons ranks Number 2 in our list. Which is Excellent!
However, its operating profits can be improved by managing the mostly its Finance costs and secondly its Other expenses.

Learning Derived

- 1) I learned how the Retail environment at Magsons works.
- 2) I learnt how the purchases and sales are recorded and accounted for.
- 3) I learnt how to make query sheets for the purpose of audit analysis.
- 4) I learned how to analyse Balance sheets and Profit and loss statement.
- 5) I learned how to do a financial comparison of companies.

REFERENCES:

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- 2) <https://www.dmartindia.com/investor-relationship>
- 3) <https://www.osiahypermart.com/investor-relations.html>
- 4) <https://www.futureretail.in/investors/overview.html>
- 5) <http://www.spencersretail.com/investor>
- 6) <https://www.investopedia.com/>
- 7) [Magsons Group – Hopping off. Shopping on.](#)
- 8) <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.840.7999&rep=rep1&type=pdf>
- 9) <https://core.ac.uk/download/pdf/234629808.pdf>
- 10) <http://www.aabri.com/manuscripts/08070.pdf>
- 11) http://www.scienpress.com/Upload/JFIA%2FVol%203_3_2.pdf
- 12) <http://www.diva-portal.org/smash/get/diva2:323754/fulltext01>

CERTIFICATE OF COMPLETION



Corporate Office:
'Magsons' Miramar- Panjim. Goa 403001. India.
Tel: 2463700 Email: admin@magsons.in

Date: 22.05.2021

TO WHOM IT MAY CONCERN

This is to certify that Miss Esmie Siana Travasso a student of MBA, Goa University has successfully completed her internship at Magsons Supercentre from 25th January 2021 to 14th May 2021. Her performance has been satisfactory and she has shown good endeavour in her work.

Since the financial information provided to her is sensitive to the working of the organisation, the presentation will be made on camera with only the internal and external examiner and with no one else attending.

We wish her every success in life.

Magsons Supercentre
Usha Nasnodkar
Senior Manager-Human Resources