Chapter 2

Introduction to Apparel Retail & Research Methodology
CHAPTER 2

INTRODUCTION TO APPAREL RETAIL

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CHAPTER 2
INTRODUCTION TO APPAREL RETAIL

2.1 Introduction

The Indian retailing industry, which was traditionally dominated by small, family-run stores, seems to have come of age. The retail sector is the second largest employer after agriculture in the country and also the second largest untapped market after China. The retailing sector in India is highly fragmented and predominantly consists of small independent, owner-managed shops. There are some about 15m retail outlets in India. Besides, the country is also dotted with low-cost kiosks and pushcarts. The apparel and textile industry occupies a unique and important place in India. One of the earliest industries to come into existence in the country, the sector accounts for 14% of the total Industrial production, conduces to about 30% of the total exports and is the second largest employment creator after agriculture.

The textile products continue to hold an important role in total export basket of the country. The textile and garment industry is one of India’s largest foreign exchange earners, accounting for 16.63% of the country's total exports of total textile and garment exports, ready made garments contribute 55% of earnings.

The apparel and textile industry caters to one of the most basic requirements of people and holds importance; maintaining the prolonged growth for improved quality of life. The sector has a unique position as a self-reliant industry, from the production of raw materials to the delivery of end products, with considerable value-addition at every

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1 Data taken from website of Department of Industrial Policy and Promotion.
stage of processing. Over the years, the sector has proved to be a major contributor to the nations' economy.

Its immense potential for generation of employment opportunities in the industrial, agricultural, organized and decentralized sectors & rural and urban areas, especially for women and the disadvantaged is noteworthy.

The Indian retailing industry, which was traditionally dominated by small, family-run stores, seems to have come of age. The retail sector is the second largest employer after agriculture in the country and also the second largest untapped market after China. The retailing sector in India is highly fragmented and predominantly consists of small independent, owner-managed shops. There are some about 15m retail outlets in India\(^3\). Besides, the country is also dotted with low-cost kiosks and pushcarts.

2.2 The Indian Market

The Indian consumer is evolving and driving retail growth in India and companies in the fashion industry are reacting to this evolution through myriad options. The fashion market in India is witnessing strong growth owing to a young population, an increase in disposable incomes, which is leading to increase in consumption and thus the rapid growth in organized retail. Private consumption growth contributes to more than half of the GDP growth and is growing in double digit figures. Several businesses are reacting to this evolution positively, both through pull and push phenomenon.

Apparel today has the largest share of the modern organized retail in India i.e. 20% of the current market of Rs. 56,000 crore and this is expected to grow at a constant rate

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\(^3\) www.apparelsearch.com
of 20% over the next 4 years. With India being the second fastest growing major economy in the world, fashion industry is pushing itself to keep pace with the retail evolution witnessed in India.

2.3 Facts and Figures of Apparel Market

- Consumer spending on apparel in India has grown over the last five years, touching the global benchmark of 5 per cent of the total income.

- During the three years 2004-05 to 2008-09, investments in the textile sector has increased from US$ 2.94 billion to US$ 7.85 billion.

- In 2008, men's apparel industry was mainly dominated by shirts (in value terms) accounting for 36.5% of total men's segment. India's textiles and apparels industry is estimated to be worth US$49 billion where 39 percent is accounted by the exports market.

- Currently India has a 3.5-4 per cent share in world export of textiles and 3 per cent in clothing exports. Europe continues to be India's major export market with 22 per cent share in textiles and 43 per cent in apparel; the US is the single largest buyer of Indian textiles and apparel with 19 per cent and 32.6 per cent share respectively.

- Readymade garments (RMG) are the largest export segment, accounting for 45 per cent of total textile exports and 8.2 per cent of India's total exports.

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4 Crisil Research Reports
6 AT Kearney Report 2007
7 CII report on textile and fashion industry
8(http://www.ice.it/paesi/asia/india/upload/182/Fashion%20Industry%20India%20-%202009.pdf)
The global apparel retail industry grew by 3% in 2006 to reach a value of US $ 852.8 billion. In 2011, the global apparel retail industry is forecast to have a value of US $ 994.8 billion, an increase of 16.6% since 2006. Countries like US, the UK, Germany and France have major market share and larger formats of business in terms of retail space, Categories, Range, Brands, volumes etc. The retail sector in the United States and other developed economies is undergoing a major restructuring.

The clothing market in India was initially dominated by tailored wear whereas the ready-to-wear was largely restricted to jeans and knitwear. Fashion element and design content was minimal in the pre-1990s, owing mainly to the lack of national level brands. The Indian apparel market has been in growing terms. Among the few players who were catering to the branded market were Park Avenue, Chiragh Din, Liberty, Double Bull, Proline and Snowhite. It took the entry of brands such as Allen Solly, Van Heusen, Peter England, Arrow etc. to create the respectable share of the ready-to-wear market. Currently players like RPG, Tata, Raheja’s and Biyanis having lion share in total market. They are in process of changing traditional rules of retailing.

Men’s apparel market is 37% of the total apparel market in India. Preference for readymade garments is increasing and this has become inevitable with the rise in urbanization. With the growth of retail industry, which is expected to grow fivefold in the next five years, retailing of men’s apparel has a huge potential. The arrival of the international brands in the already existing cut throat competitive domestic market shows a clear sign of men’s apparel retailing to come in a big way. Women’s apparel

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10 KSA Technopak, 5th KSA Retail Summit, New Delhi, 11th February 2003.
market is 32% of the total apparel market in India\textsuperscript{11}. The preference for the branded Western and Indo-western apparels among the working women is on the rise, which is a welcome relief for the manufacturer and retailers of branded apparel. The dressing habits are getting refined if not changed specifically among the working women. Kids' apparel market is 15% of the total apparel market. Retailing for the kids wear category is an offshoot of retailing of men’s and women’s garments.

2.4 Global scenario

The textile products continue to hold an important role in total export basket of the country. It has been estimated that India has approximately 30,000 readymade garment manufacturing units and around three million people are working in the industry\textsuperscript{12}. After China, India is being perceived as the next country with the biggest ‘Growth Potential’ due to its manpower and natural resources. The first decade of the 21\textsuperscript{st} century will witness India as the major player in the apparel business – partly because more industrialized countries like Korea, Taiwan, etc. have moved into other industries – and partly because the Indian Government believes in, and wants to grow the apparel export business, since it is a major earner of foreign exchange. During 1995 to 2005 world apparel trade growth fluctuated under the ATC period due to political and economical events across the globe. Growing markets and increased outsourcing helped the apparel industry to grow, although US and EU remain the major importers of apparel, accounting more than 75% of imports. Russia has emerged as the fastest growing importer of apparel during ATC period, recording CAGR of 26.1%

\textsuperscript{11} \url{www.euromonitor.com}
The apparel market is witnessing lot of competition after 2005, due to expiry of Multi-Fiber Agreement (MFA). There is lot of demand for apparel from the western countries.
Initially the clothing market was dominated by tailored wear and ready-to-wear was largely restricted to jeans and knitwear. Fashion element and design content was minimal in the pre-1990s, owing mainly to the lack of national level brands. Among the few players who were catering to the branded market, were Park Avenue, Chirag Din, Liberty, Double Bull, Proline and Snowhite. It took the entry of brands such as Allen Solly and Van Heusen to create the respectable share of the ready-to-wear market. Currently players like RPG, Tata, Raheja’s and Biyanis having lion share in total market. They are in process of changing traditional rules of retailing.

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Turnover (in Rs. bn.)</th>
<th>Total Floor Space (in lakh sq.ft.)</th>
<th>Total no. of Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloon</td>
<td>12.8</td>
<td>2.00</td>
<td>103</td>
</tr>
<tr>
<td>Shoppers stop</td>
<td>6.77</td>
<td>9.50</td>
<td>19</td>
</tr>
<tr>
<td>Trent</td>
<td>3.5</td>
<td>3.38</td>
<td>20</td>
</tr>
<tr>
<td>Vishal Retail</td>
<td>5.27</td>
<td>2.00</td>
<td>50</td>
</tr>
<tr>
<td>Provogue</td>
<td>1.77</td>
<td>0.33</td>
<td>40</td>
</tr>
<tr>
<td>Raymond</td>
<td>2.02</td>
<td>10.00</td>
<td>320</td>
</tr>
</tbody>
</table>

{Source: Company annual Reports}
A recent estimation of the apparel market was done by images fashion and according to them the branded apparel market is estimated to be one fourth of total apparel market. Most of the growth has comes from the branded segment, which is growing exponentially at over 20% every year.\textsuperscript{13}

Traditional wear such as dhotis, pyjama kurtas, sherwanis, sarees, shawls, ethnic and regional dresses are estimated to account for 40% of the total readymade market and remaining 60% occupied by western style stitched apparel\textsuperscript{14}. Apparel Retailing is the country’s largest opportunity for the organized retailers after food retailing. The clothing market is highly fragmented, with numerous organized and unorganized players operating across a wide variety of formats. Branded apparel accounts for only 20% of the total apparel market. Men’s clothing currently accounts for about 40% of all branded apparel sales as compared to 20% of children’s wear and 30% of women’s wear. The structure of apparel retail has changed dramatically in the recent past with the growth of large multi-brand apparel outlets and manufacturer brand-led chains. Like in the west, specialty stores that have begun to grab market share in India.

The growth in the branded wear category can be attributed to the fast paced changes in the retail scenario\textsuperscript{15}. The evolution of retail channels in India is being driven by the evolving preferences of the consumer whose awareness level of fashion trends, disposable income and consumerism are all high. A significant positive shift is taking place in Indian consumer’s buying behaviour and expectations that no longer follow traditional retail practices. This can be attributed to the following factors:

\textsuperscript{13} India Retail Report 2007, Fashion and Textile Retail.
• Change in lifestyle
• Entry of leading international brands
• Greater awareness and exposure to international media
• Foreign travel

Organized retailing is mainly classified into food and grocery, apparel, consumer durables, and books and music segments.

Apparel is recognized as the largest organized part of India’s retail sector, compared to other areas such as food and jewelry. The major organized apparel retailers in this segment include Westside, Pantaloons, Shopper’s Stop, Planet Fashion, Oswal, Lifestyle and Raymond. One of the major challenges for the national brands within the apparel retailing is the emergence of private labels (retailer’s own brands). The retailers like Shoppers’ Stop, Pantaloons, Westside, Lifestyle, and Ebony are coming up with their own set of brands catering to both men and women segments. Private labels constitute a considerable share of their revenue and it is more remarkable in case of women’s wear as women are more price conscious than brand conscious while going for quality and brand loyalty is also very low among them.

2.5 Apparel and fashion Accessories: Retail Trends

- Existing apparel brands and retailers have started exploring the potential of smaller cities and expanding their retail network.
- Apparel retailers and brands have attained 84% growth rate in number of outlets in 2005 and topped it up with 113% growth in 2008.\textsuperscript{16}
- There was an increase of average 130% in retail space as compared to about 110% increase in number of outlets.\textsuperscript{17}

\textsuperscript{16} Indian Retail Report 2008, by KSA Technopak.
2.6 Cost structure in apparel market

The Unique Selling Proposition for Private Labels is value for money. They are providing similar quality of apparels like that of the national brands at lower prices. The manufacturer mark-up cost of around 27% is one of the major costs, which increases the cost for retailers in case of national brands. And this cost is nil in case of private labels. Other costs such as advertising, overhead cost, excise duty, sales tax are also much lesser than that of private labels. The mark-up and retail margins given by some of the well known national brands are given above. The credit periods given by these national players to the retailers are between 30-45 days, whereas Arvind Mills provide clothes on the basis of cash on delivery. The credit periods given by the Indian players are comparatively less than those in the US and Western European market. This may be one of the major reasons for the retailers to go for the private labels to reduce the pressure of payment.

Different types indirect costs involve in the sales of apparels by the retailers are given above across various price categories.

Moreover, the private labels try to fill the value gap between the national brands and customers’ demand in case of quality, price, shapes and sizes. Private labels’ stock replenishment is faster and also increases the customer loyalty towards the retail stores.

18 CII report 2008.
Table :2.3

Share of Indirect Costs in Total Sales

<table>
<thead>
<tr>
<th>Costs</th>
<th>International Brand</th>
<th>High-end Established Brand</th>
<th>Lower &amp; Mid Range Brand</th>
<th>Private Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensing Cost/Royalty</td>
<td>7 – 12</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rejection/Dead Stock</td>
<td>2 – 4</td>
<td>2 – 4</td>
<td>2 – 4</td>
<td>2.5 – 4.5</td>
</tr>
<tr>
<td>Advertising Costs</td>
<td>10 – 15</td>
<td>10</td>
<td>5 – 7</td>
<td>-</td>
</tr>
<tr>
<td>Administration Costs</td>
<td>8 – 10</td>
<td>8</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Total Indirect Costs</td>
<td>27 – 41</td>
<td>20 – 22</td>
<td>15 – 19</td>
<td>4.5 – 6.5</td>
</tr>
</tbody>
</table>

Note: All costs except the licensing/royalty costs are percentage of manufacturer’s turnover (before mark-ups). The Royalty is paid on the MRP of the brand.

Source:- Book on “Managing Retailing” Chapter 12, by Piyush Kumar Sinha & Dwarikaprasad Uniyal

2.7 Different segments of apparel market

❖ Men Apparel Market

The branded men apparel segment is growing. This shows that more and more branded players are trying to exploit the hugely untapped market of the men’s branded apparel market and the competition is growing stiffer with the emergence of private brands (retailer’s own brand) and International brands.
Jackets and Blazers, Casual Jackets and Innerwear categories recorded the highest growth during 2008.

Preference for readymade garments is increasing and this has become inevitable with the rise in urbanization. With the growth of retail industry, which is expected to grow fivefold in the next five years, retailing of men’s apparel has a huge potential. The arrival of the international brands in the already existing cut throat competitive domestic market shows a clear sign of men’s apparel retailing to come in a big way. Recently, in the men’s category the pull factor is from the variations of stripes and checks, which were earlier carried off as a casual wear. With much of innovation, experimentation and development in yarns, weaves, washes and finishes, it bears a fresh, clean and natural look. One more trend to be the seen in the shirt market is high demand for the white shirts and this alone constitutes 11% of the total branded shirt market. It works out to be a demand for 6.1m pieces of branded white shirts. The frequency of purchases of white shirts is directly proportional to the stature of the employees. The major players in the men’s apparel segments are Raymonds, Colour Plus, Madura Garments, Zodiac, and Arvind Mills

Women Apparel Market

The women apparel market occupies 32% of the share in the total textile industry. The traditional retailers and multi branded outlets are continuously increasing the brands related to women category and it has gained momentum over the several years.

22 www.retailyatra.com
Kids Apparel Market

According to research firm KSA Technopak for the Kids wear market in India is estimated to be Rs.130.85 billion in 2006, which is around 15% of the total apparel market in India. Of the total kids apparel market size, the branded segment consists of about Rs.30 billion. To exploit this increasing brand awareness, firms like Pantaloon, Raymond, Spykar, DS Corporation and Milou are launching exclusive stores for kids’ apparels.
Retailing for the kids wear category is an offshoot of retailing of men’s and women’s garments. Apparel for kids is mostly purchased from large family multi-brand outlets, which are selling men’s or women’s apparels or both. The reason being very few brands in this category, the concept of exclusive brand outlets and specialty stores is at a adolescent stage. The consumer’s demand for “Retail Experience” at all levels has shifted the shopping preference from multi brand outlets to departmental stores, which stock a varied range of products.\(^\text{24}\\) In order to give retailing experience to the consumers, the departmental stores have segregated the products and built niche categories like infant wear, kids’ formal wear, kids ethnic wear, swim wear, casual wear, pre teen wear. The stores have also allowed space in the stores for play-areas and also do kids’ oriented promotions e.g. Lifestyle did a recent promotion “Back-to-school”. Some brands in this segment are Lee Kids, Weekender Kids and Pampam. This can be depicted with the following table

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men Wear</td>
<td>37%</td>
</tr>
<tr>
<td>Women’s Wear</td>
<td>32%</td>
</tr>
<tr>
<td>Kids Wear</td>
<td>15%</td>
</tr>
</tbody>
</table>

2.8  SWOT Analysis of Apparel Market

The organized apparel and accessories retail market has shown a tremendous growth from the Year 2002. Share of apparel market has goun to 18.9 % in 2006 with the sector showing growth rate of 30.3% during 2005-06. Apparel and accessories retailing is the largest segment organized retailing which currently stands at Rs 55,000 crore at current price. There has been a definite shift towards organized retail chains and exclusive brand retail outlets. New formats like hypermarkets with their value

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offering and appeal to broader section of the consumer base are further likely to increase the base of organized apparel retailing in the country. Malls are expected to be one of the main drivers of growth of apparel retailing in India as such it offers large areas to fashion products. Already apparel makes up for the large proportion of total Sales for hypermarkets players like Big Bazaar and Vishal Mega Mart. The Indian Apparel market has a very good opportunity as the value maximization is observed at a large scale.

SWOT analysis is a simple framework for generating strategic alternatives from a situation analysis. It is applicable to either the corporate level or business unit level and it is always a part of marketing and financial plan. A tool that identifies the strengths, weaknesses, opportunities and threats of an organization. Specifically, SWOT is a basic and a straightforward model that assesses what an organization can and cannot do as well as its potential opportunities and threats.

The method of SWOT analysis is to take the information from an environmental analysis and separate it into internal (strengths and weaknesses) and external issues (opportunities and threats). Once this is completed, SWOT analysis determines what may assist the firm in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired result.

So, the detailed SWOT analysis is as follows:-

- **Strengths of the industry:**
  - The domestic market with over 1 billion population;
  - The world’s leading production of cotton yams, fabrics and apparel; active commerce with Europe and USA
  - Cheap labour force
  - Traditional textile industry
Weakness of the industry:
- Delay in modernization;
- Delay in introduction of foreign capital;
- Existence of various regulations such as protection of small and medium scale enterprises;
- Inadequate infrastructure;
- High cost structure;
- Delay in growth of readymade garments in the domestic apparel market.
- Attracting & retaining qualified manpower
- Implementing SOP’s & best practices
- Focus on improving operational efficiency
- Cost control
- CRM & Service levels

Opportunities of the industry
- Growing market
- Increasing consumer awareness towards organized retailing
- Outsourcing opportunity (For apparel manufacturers)
- Joint venture opportunities with foreign players
- Early mover advantage still available
- Potential of high market capitalization

Threats of the Industry
- High import tariffs (40-65%)
- High level unorganized sector
- Allowing Foreign Direct Investment (FDI) in multi brand retailing in the near future
- Changing consumer behavior
- Entry of foreign retailers through different routes
The entire listed SWOT analysis can be depicted in form of Diagram given below.

Figure : 2.1 SWOT Analysis

Strengths:
- Skills & Low cost
- Manpower
- Availability of Raw Materials
- Fabric processing
- Sufficient IT knowledge base
- Government protective nature towards small domestic players

Weakness:
- Low Technical know-How base
- Low economies of scale
- Low collaborative efforts
- Near absence of strong supply chain
- Lack of Skilled Labors
- Low Reach
- Absence of established world class brands
- Lack of proper infrastructure and transport system

Opportunities
- Growing market (>21% pa)
- Increasing consumer awareness towards organized retailing
- Outsourcing opportunity (For apparel manufacturers)
- Joint venture opportunities with foreign players
- Early mover advantage still available
- Potential of High Market Capitalization
- Operational competitive advantage through strong processes and infrastructure

Threats
- High Import tariffs (40-65%)
- High level unorganized sector
- Allowing Foreign Direct Investment (FDI) in multi brand retailing in the near future
- Changing Consumer Behavior
- Entry of foreign retailers through different routes like

{Source:- AT Kearney’s Report 2008}.

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2.9 Research Methodology

The retail industry has unique profitability function as compared to the rest of industries in India. Though many studies have been conducted in analyzing profitability of various industries including retail industry in India, the present study would help to understand financial variables pattern and structure of leading Apparel Retail industries in India. Therefore the present study is undertaken to give an insight into the performance of selected Apparel units from retail Industry with a view to cover the gaps in earlier studies. The study of profitability would be helpful to various stakeholders. It would divulge new panorama to the industry association and the government in understanding the characteristics of the companies for inter and intra firm comparison.

In order to measure the ability and efficiency of a particular company in particular and industry in general over a period of time, profitability is a yardstick, a measure or standard used for comparison.

2.10 Scope of the Study

India is amongst the least saturated of all major global markets in terms of penetration of modern retailing formats. Many strong regional and national players are emerging across formats and product categories. Most of these players are now gearing up to expand rapidly after having gone through their respective learning curves. Real Estate Developers are also moving fast through the learning curve to provide qualitative environment for the consumers. The Shopping Mall formats are fast evolving. Partnering among Brands, retailers, franchisees, investors and malls, Improved Infrastructure are nowadays have become phenomenal growth.

Since the growth trends suggest that retail industry is getting corporatized there is greater need to come out with financial performance criteria and at the same time, professional approach to be evolved.
2.11 Research Problem

Since the retail apparel industry is in the nascent stage, there is no proper framework to evaluate the financial performance of companies in the given industry. Hence the study aims at identifying and formulating performance indicators in order to achieve true and fair evaluation of corporate performance in retail apparel for the garment sector and thereby evolve an appropriate framework for financial analysis. In the present study, financial statements of last 7 years will be taken into consideration for analysis.

Companies will be considered selectively. This study has an immense value particularly for retail industries and the traditional market players.

2.12 The objectives of the present study are:

1) To analyze the financial trends over the years.
2) To identify various ratios to ascertain the financial performance.
3) To identify performance parameters for Balance sheet as well as Profit and Loss account.
4) To identify performance parameters linking with the functional areas.
5) To identify factors which enhance ability to make profits.

2.13 Hypotheses

The topic of the study clearly shows that topic is being selected with a view to assess the financial performance of selected retail units in India and to measure the competence and effectiveness. Against this, the following hypotheses are formulated to test their validity of selected units of study:-
No 1:-
H_0: Debt equity ratio has no impact on Net profit ratio
H_a: Debt equity ratio has impact on Net profit ratio

No 2:-
H_0: There is no significant relationship between Debt equity and Gross profit
H_a: There is significant relationship between Debt equity and Gross profit

No 3:-
H_0: Debt equity ratio has no impact on Return on Capital employed
H_a: Debt equity ratio has impact on Return on Capital employed

No 4:-
H_0: There is no significant relationship between Advertisement cost and net profit ratio
H_a: There is significant relationship between Advertisement cost and net profit ratio

No 5:-
H_0: Advertisement cost has no impact sales to capital employed.
H_a: Advertisement cost has impact sales to capital employed.

No 6:-
H_0: Debt equity ratio has no impact on Return on capital employed.
H_a: Debt equity ratio has impact on Return on capital employed.

No 7:-
H_0: Debt equity ratio has no impact on Interest coverage ratio.
H_a: Debt equity ratio has impact on Interest coverage ratio.
No 8:-

$H_0$: There is no significant relationship between Inventory turnover ratio with sales to capital employed.

$H_a$: There is significant relationship between Inventory turnover ratio with sales to capital employed.

No 9:-

$H_0$: There is no significant relationship between Inventory turnover ratio with net profit ratio

$H_a$: There is significant relationship between Inventory turnover ratio with sales to net profit ratio

No 10:-

$H_0$: There is no significant relationship between Inventory turnover ratio and return on capital employed.

$H_a$: There is significant relationship between Inventory turnover ratio with return on capital employed.

No 11:-

$H_0$: There is no significant relationship between stock to working capital and sales to capital employed.

$H_a$: There is significant relationship between stock to working capital and sales to capital employed.

No 12:-

$H_0$: There is no significant relationship between stock to working capital and net profit ratio

$H_a$: There is significant relationship between stock to working capital and net profit ratio
No 13:-

$H_0$: There is no significant relationship between stock to working capital and Return on capital employed.

$H_a$: There is significant relationship between stock to working capital and return on capital employed.

No 14:-

$H_0$: There is no significant relationship between debtors to working capital and sales to capital employed.

$H_a$: There is significant relationship between debtors to working capital and sales to capital employed.

No 15:-

$H_0$: There is no significant relationship between debtors to working capital and net profit.

$H_a$: There is significant relationship between debtors to working capital and sales and net profit.

No 16:-

$H_0$: There is no significant relationship between debtors to working capital and gross profit.

$H_a$: There is significant relationship between debtors to working capital and sales and gross profit.

No 17:-

$H_0$: There is no significant relationship between debtors to working capital and return on capital employed.

$H_a$: There is significant relationship between debtors to working capital and sales return on capital employed.
No 18:-

H₀: There is no significant relationship between Fixed assets turnover and sales to capital employed.
Hₐ: There is significant relationship between Fixed assets turnover and sales to capital employed.

No 19:-

H₀: There is no significant relationship between Fixed assets turnover and net profit
Hₐ: There is significant relationship between Fixed assets turnover and net profit.

No 20:-

H₀: There is no significant relationship between Fixed assets turnover and gross profit
Hₐ: There is significant relationship between Fixed assets turnover and gross profit.

No 21:-

H₀: There is no impact of Variable Cost on Profit
Hₐ: There is impact of Variable Cost and Profit

No 22:-

H₀: There is no significant relationship between Credit period and Debtors Turnover
Hₐ: There is significant relationship between Credit period and Debtors Turnover

No 23:-

H₀: There is no significant relationship between Proprietary ratio and Gross profit ratio
Hₐ: There is significant relationship between Proprietary ratio and Gross profit ratio
2.14 Methodology

The study is divided into two parts:

➢ Part 1:-

Part 1 is an overview of the retail industry. It presents the growth of retailing in India, the evolution structure, the formats of the apparel retail and the cost structure which is followed for the apparel segment. The performance of individual companies during the period from 2002-2009 is being considered and analyzed and critical appraisal of strength and weakness of this industry is also being reviewed. The selected companies are: - Pantaloon, Provogue, Raymond, Shoppers Stop, Vishal Retail and Trent Limited.

➢ Part II:-

In order to review the financial performance the apparel companies a case study has been undertaken and various ratios are calculated. Trend analysis of all the companies in order to know the efficiency is also being done.

❖ The study is based on secondary data

The secondary source of data include the published material from Annual reports of the companies, Indian Retail Report, articles and periodicals for all the years considered for study i.e. 2002-09. Most of the relevant data had been collected from CMIE and websites of these companies. The secondary data had also been tapped from various books, magazines, journals and other published sources.

2.15 Limitations of the study

Following are the limitations of the study:-

1. The main limitation arising out of this study is that is only confined to some selected companies in apparel sector and the results cannot be applied in a general view.

2. The study is confined only to secondary data available from various Annual reports of the companies, published material by KSA Technopak (Indian
Retail Report), and websites of companies, journals such as Retail Biz, International Journal of Retail and Distribution Management etc.

3. Although some of the companies data were available from 1991, but study covers the period from 2002-2009. (seven years)

4. The financial performance is a wider subject to analyze but study is based on profitability analysis only.

2.16 Chapter Plan

The thesis consists of the following chapters:

Chapter 1

This chapter deals with the introduction of retail industry, evolution of the same, Traditional and Modern Retail formats, share of organized retail industry as a whole. It covers an overview and literature review of the retail industry and garment sector.

Chapter 2

The chapter also covers the introduction of apparel sector, Cost structure of different formats and different segments such as Men’s Wear, Kid’s Wear and Ladies Wear. The SWOT analysis of the entire industry is also presented. It also includes the methodology of the study, chapter plan and the conclusion.

Chapter 3

It is based on the review of literature on the selected topic. The area of review being broad in nature, it has been categorized into

a. General Retail Research
b. Apparel Retail Research
c. Other Industry Research

Chapter 4

This chapter based on case study deals with Financial performance appraisal which covers the meaning of profit, meaning of profitability analysis, types of profit, methods of analyzing financial statements, Ratio analysis in detail
Chapter 5

This chapter presents the selection of six companies of the garment sector through purposive sampling considering the access of data for analysis. It covers their brief profile, their strategy expansion, their focus, their product planning structure, their achievements and a detailed trend analysis of the sample companies.

Chapter 6

It covers the data analysis and interpretation. The selected companies were analyzed for a period of seven years from 2002-2009 with the help of ratio analysis techniques. The different ratios such as Gross Profit, Net profit, Current ratio, Advertisement cost to Gross sales, Advertisement cost to net sales, Direct cost and Indirect cost to Net sales etc. were calculated.

Chapter 7

Based on the above analysis to test the relationship under statistical significance the various test like T-Test, Correlation analysis and regression analysis was applied. Hypothesis was also formulated to find out the impact of one ratio on another.

Chapter 8

The above chapter deals exclusively with the findings from the research work undertaken. The findings are based on secondary data which deals with the financial performance analysis and strategic profit path is developed for apparel industry.

Chapter 9

This chapter draws the final conclusions of the profitability analysis after considering different parameters of Balance sheet as well as Profit and Loss account. It also would suggest factors and strategies to be implemented in order to raise the profit figures for the apparel industry.