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A Financial Profitability Analysis of Flipkart

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ABSTRACT

Flipkart is a prominent e-commerce firm in India. The headquarters are in Bangalore, Karnataka.The company's initial concentration was on selling books via e-commerce platforms, but it later expanded its product offerings to include home basics, consumer electronics, fashion and design,and lifestyle items. The firm's primary competitors in its local markets are Amazon's Indian subsidiary and Snapdeal, a local e-commerce startup. Art, toys, furniture, home décor, apparel, purses, and jewelry are among the many categories represented. The company sells only vintage things that are at least 20 years old.
Flipkart is an e-commerce business located in Bangalore, Karnataka. It was created in 2007 by Sachin and Binny Bansal. The corporation is registered in Singapore. Flipkart has created its own"DigiFlip" product line, which includes tablets, USBs, and laptop bags. Flipkart was created in 2007 by Sachin Bansal and Binny Bansal, both IIT Delhi alumnus. Flipkart now employs more than 33,000 individuals. This paper aims to evaluate the performance and sustainability of Flipkartin India. The objectives are to understand the company's structural framework, analyze its performance and sustainability, and make policy decisions for future improvement. Flipkart is a leader in the Indian e-commerce business, consistently ranking as one of the top online buying platforms. This company is highly regarded as one of the top startups in India, having undergone extensive study. Flipkart is a prominent player in the Indian e-commerce business, but competitionfrom Amazon has increased.
Keywords: Flipkart, Performance evaluation, Sustainability, Future outlook

INTRODUCTION

Prior to Flipkart, Indian customers were unfamiliar with the electronic retail business (also knownas e-tailing). Founded in Bangalore in 2007 by two former Amazon workers, the online shopping portal caters to Indian clients with a diverse range of product categories, including consumer electronics, fashion, and lifestyle. Bangalore, sometimes known as the "Silicon Valley of India," is a modern and well-established city. Flipkart is established in Singapore by a holding company to comply with Indian government prohibitions on foreign direct investment in consumer businesses.4 The firm has had substantial growth since its beginning, with over 100 million registered customers, 8 million monthly shipments, 100,000 vendors, and 21 warehouses.
Flipkart has successfully maintained its position by acquiring firms, switching business models, and overcoming several difficulties. Convincing Indian consumers to trust online buying as muchas traditional businesses has been a big challenge for the company from its inception. After instance, the Indian economy was mostly cash-based until the government's recent efforts to digitalize it. The success of the Indian e-commerce sector has sparked global interest, leading to heightened market rivalry for the corporation.

RESEARCH OBJECTIVES

1. To know the structural framework of profitability of Flipkart

2. To analyse the performance and its sustainability of Flipkart

3. To find out the future prospects of this company

ACHIEVING SUCCESS IN BUSINESS MARKET

Flipkart has established its own product ranges, including "digiflip" and "citron" for personal healthcare and household appliances. Flipkart initially concentrated on books, but has expanded to include electrical items, air conditioners, air coolers, stationery supplies, lifestyle products, and e-books. Flipkart is incorporated in Singapore and has a majority of foreign stockholders, makingit not legally an Indian firm. Flipkart distributes items in India through WS Retail, as foreign firmsare not permitted to do multi-brand e-retailing in the country. Third-party vendors and corporations can also sell items on the Flipkart platform. Flipkart now employs more than 15000 people. Flipkart accepts cash on delivery, credit and debit card purchases, net banking, e-gift vouchers, and card swipe on delivery. Flipkart is one of India's leading online retailers, offering over 14 product categories, serving 150 locations, and shipping 5 million shipments monthly. Successful e-commerce requires effective supply chain management to ensure timely delivery of products. Flipkart's logistics and supply chain were not initially prepared for the high demand. As the user base grew, it became difficult to maintain an excellent user experience. Flipkart improved its supply chain and logistics, and expanded through smart acquisitions.

In 2014, Flipkart purchased Myntra, India's top fashion e-commerce startup. Myntra enhanced Flipkart's e-commerce margin, providing a significant edge over Amazon and Snapdeal. The acquisition enabled Flipkart, a previously generic e-commerce startup, develop and thrive in the ecosystem. According to Pradeep Udhas, Head of the Technology industry at KPMG India, firmswithout scale or a niche presence may struggle to survive in the industry. Flipkart and Myntra might save significantly on costs due to their comparable client and demographic bases.

FLIPKART BUSINESS MODEL WITH PROFITABILITY AND VIABILITY

Flipkart's adoption of a marketplace system transformed its website into a "virtual mall" where customers can purchase from several merchants and brands on a single platform. Flipkart eliminated the need for its own inventory, resulting in significant cost savings while maintaining sales control. The logistics and supply chain section now handles deliveries. This concept can be likened to eBay India, Tradus, or Amazon. Flipkart offers its items through WS Retail, a private limited e-commerce firm in India, as foreign corporations are not allowed to sell several brands inthe country. Online marketplaces generate money through a variety of channels. Sellers are charged a listing fee.

During the first stage, two-thirds of start-ups fail, while the remaining units become start-up companies. Start-ups often fail due to a lack of attention to current trends, legal challenges, and environmental concerns. Establishing a corporation is simpler than forecasting the environmentalimpact of a firm. The board members included the Bansals and their two relatives. During this time, former Chief Operating Officer Rajeev Kuchahl, OnMobile Global Ltd. Tapas Rudrapatna and Sujeet Kumar held 46% and more than 75% stakes in WS Retail and Flipkart, respectively. Both entities used to share offices and warehouses. Flipkart implemented shared ownership to boost long-term earnings.

However, the outcomes were not satisfactory. Flipkart India's losses for 2013 and 2014 were INR 644.37 crores and INR 719.49 crores, with revenues of INR 1,163.10 and INR 3,025.505, respectively. Flipkart India

Private Limited reported an operating revenue of INR 500 crore. The fiscal year ends March 31, 2019. The operational profit refers to earnings before interest and taxes. Depreciation fell by -89.33 percent compared to the previous year, but book net worth decreased by -3.38 percent. As of September 2019, the business had INR 0.98 crore in paid-up capital. The debt-equity ratio of the corporation is 0.03. It is extremely low in the e-retail industry. The company's subsidiary divisions, including logistics and fashion retailer Myntra, recorded a net loss of INR 5.770 crores on revenues of around INR 18,000 crores. Flipkart reported a total loss of INR 3,836.8 crores as of March 31, 2019, up from INR 2,063.8 crore the previous year, according to corporate affairs ministry documents. This increased the net loss by 85.91 percent.

This firm faces stiff competition from Amazon's competitor. Flipkart online offers a variety of services to Amazon. Flipkart experienced a 40% loss of INR 1, 624 crores for the fiscal year endedMarch 31, 2019, despite a 51% increase in operating revenue to INR 4, 234 crores compared to the previous year. The research shows that the operational profit (profits before interest, tax, and depreciation) has decreased by -89.33%. The firm has a low debt-equity ratio (0.03). The company's net loss for 2018-19 grew from Rs.2 to Rs.3, 836.8 crores.

Flipkart's net income has increased from 4.0 million to Rs.38.4 million between 2014 and 2019. The research shows a substantial positive connection between revenue and net income, with a coefficient of correlation of 0.8757 (higher than the rule of thumb of 0.7). The influence of revenueon net income is analyzed using regression analysis.

SUGGESTIONS AND RECOMMENDATIONS

Flipkart may use sophisticated analytics and technology to enhance its supply chain processes, such as inventory management, order fulfillment, and shipping. Flipkart can improve customer happiness while saving operating costs by shortening lead times, eliminating stockouts, and increasing delivery accuracy. Identifying and implementing cost reduction methods may greatly improve Flipkart's bottom line. This might include renegotiating supplier contracts, improving resource allocation, and investing in automation to expedite operations and save overhead costs. Integrating new technologies like AI, ML, and data analytics will boost Flipkart's efficiency across many operational activities. Flipkart can increase operational efficiency and profitability by automating repetitive activities, customizing consumer experiences, and optimizing resource use.Investing in talent development and training may lead to big returns for Flipkart, since human capital is a crucial asset in the e-commerce sector. Flipkart can enable its employees to adapt to changing market conditions, innovate, and drive operational excellence by cultivating a culture ofcontinuous learning and skill development.

Incorporating environmentally sustainable methods into Flipkart's operations can help to decrease expenses while also improving the brand's reputation and appealing to eco-conscious customers. Green logistics, energy-efficient operations, and waste reduction initiatives may all help to reducecosts and increase long-term profitability. Finally, by emphasizing operational efficiency and executing focused measures to streamline processes and resources, Flipkart can maintain financialprofitability while also reinforcing its position as an e-commerce market leader.

ANALYSIS AND CONCLUSION

Based on the data, it is possible to assume that the firm, which began as a start-up in 2011, has been profitable in the second half of the decade. The company's growth led to the establishment ofsubsidiaries in several nations without sufficient financial planning. Despite selling their stock to Walmart as a long-term plan, Flipkart's revenue remains favorably connected with net profits. Asa result of different business initiatives, this organization is poised for future success and growth.

The financial profitability study of Flipkart demonstrates a strong performance driven by a numberof major elements. Flipkart's revenue growth trajectory, driven by a dedicated client base and smart market positioning, demonstrates its supremacy in India's brutally competitive e-commerce environment. Furthermore, smart cost management procedures have increased Flipkart's profitability margins, allowing the company to achieve long-term financial success despite operational obstacles and market uncertainty. However, the research identifies possible areas for development. While Flipkart's revenue growthhas been outstanding, its profitability ratios show that there is still potential for improvement in operational efficiency and cost effectiveness. To address these problems, significant investments in technology, supply chain optimization, and personnel development are required to increase efficiency and reduce operational risks.

Finally, Flipkart's financial profitability study confirms its position as a dominant player in the Indian e-commerce industry. Despite increased competition and operational challenges, Flipkart has continuously generated good financial performance, owing to revenue growth and efficient cost control initiatives. Flipkart's future profitability is dependent on its ability to capitalize on emerging possibilities, solve operational inefficiencies, and adapt to satisfy changing customer needs. Flipkart is well-positioned to preserve its position as a leading e-commerce platform and generate long-term value for its stakeholders by capitalizing on its strengths and aggressively addressing obstacles.

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