

A Study on Profitability Analysis of Retail Store Using Ratio Analysis

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Abstract—This article presents a comprehensive profitability analysis of Reliance Retail Limited, the largest organized retailer in India and a wholly-owned subsidiary of Reliance Industries Limited. Using financial ratio analysis as the primary methodology, the study evaluates five key profitability metrics — Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio, Return on Assets (ROA), and Return on Equity (ROE) — across three financial years (FY 2023–FY 2025). The research also integrates primary survey data collected from 57 respondents to examine customer perception, shopping behaviour, and brand engagement. Findings reveal that while Reliance Retail maintains a strong customer base and high brand awareness, its profitability indicators show a consistent declining trend, driven by rising operational costs and expanding asset base. The study concludes with strategic recommendations for cost optimization, digital transformation, and sustained shareholder value creation.

I. INTRODUCTION

The retail sector occupies a pivotal position in the Indian economy and has emerged as one of the fastest-growing industries in recent decades. It acts as an essential intermediary between producers and consumers, ensuring the smooth flow of goods and services across diverse markets. Retailing contributes significantly to employment generation, infrastructural development, and overall economic growth, making it one of the most important sectors in terms of socio-economic development.

Traditionally, Indian retailing was dominated by small, family-owned kirana stores operating in the unorganized sector. These establishments were characterized by limited product assortments, personalized services, and localized operations.

Although the unorganized sector played a crucial role in meeting the daily needs of consumers, it lacked efficiency, standardization, technological integration, and large-scale operational capabilities. The landscape, however, underwent a transformational shift driven by economic liberalization, rapid urbanization, rising disposable incomes, increased literacy levels, and exposure to global consumer lifestyles.

Modern consumers increasingly seek convenience, variety, quality assurance, transparent pricing, and enhanced shopping experiences. As a result, organized retail formats such as supermarkets, hypermarkets, department stores, specialty stores, and online platforms have gained significant traction. This shift has intensified competition and compelled retailers to adopt efficient, data-driven business models. Technological advancements — including the adoption of ERP systems, artificial intelligence, data analytics, and digital payment infrastructures — have further transformed supply chain efficiency, demand forecasting, and customer relationship management.

Reliance Retail Limited, a subsidiary of Reliance Industries Limited, is one of the largest and most prominent organized retail companies in India. Operating across diverse segments — food and grocery, fashion and lifestyle, consumer electronics, and digital commerce — it serves millions of customers daily through a widespread network of stores spanning urban, semi-urban, and rural areas. The company has played a defining role in shaping the organized retail ecosystem in India.

Government initiatives such as Digital India, make in India, GST implementation, and liberalized FDI policies have further encouraged the growth of

organized retail by improving supply chain efficiency and reducing operational barriers. Within this dynamic environment, continuous evaluation of financial performance is critical for sustaining growth and competitiveness. This article undertakes an in-depth profitability analysis of Reliance Retail using ratio analysis, providing actionable insights into its earning capacity, cost management, and resource utilization.

II. THEORETICAL FRAMEWORK AND CONCEPTUAL BACKGROUND

2.1 Profitability and Financial Performance

Profitability refers to the ability of a business organization to generate earnings in excess of its expenses during a specific accounting period. It is a key measure of financial performance, reflecting the overall efficiency and effectiveness of business operations. A profitable organization is better equipped to reinvest its earnings, expand operations, adopt new technologies, and improve product quality. It also enhances resilience against economic fluctuations and competitive pressures.

In the retail industry, profitability is influenced by several interdependent factors: pricing policies, purchasing efficiency, inventory management, operating costs, and customer demand. Retail businesses typically operate on high sales volume and low profit margins, making efficient cost control a critical determinant of profitability. Financial performance is most effectively evaluated through financial statements such as the income statement, balance sheet, and cash flow statement, which provide detailed information about the company's financial position.

2.2 Ratio Analysis as an Analytical Tool

Ratio analysis is a widely used financial tool that involves the calculation and interpretation of ratios derived from financial statements. These ratios establish relationships between different financial variables and help in evaluating business performance. One of the primary advantages of ratio analysis is its ability to simplify complex financial data into understandable and comparable figures. It enables management to identify strengths and weaknesses, evaluate past performance, and make informed decisions.

Ratio analysis facilitates comparison across different time periods and among companies within the same industry, supporting performance benchmarking and trend identification. In this study, ratio analysis serves as the primary method for evaluating the profitability performance of Reliance Retail, providing a systematic and objective basis for analysis and conclusions.

2.3 Reliance Retail: Strategic and Operational Context

Reliance Retail operates within the framework of modern retail management theory, which emphasizes efficiency, scalability, and customer-centric strategies. The company's diversified retail formats reflect the application of business diversification and market segmentation strategies, enabling it to cater to a wide range of customer needs while reducing business risk. Economies of scale play a crucial role: large-scale operations reduce per-unit costs and improve margins.

Efficient supply chain management, inventory control, and procurement practices further support cost leadership and operational effectiveness. The adoption of digital transformation and omnichannel retailing aligns with contemporary theories emphasizing technology integration in business operations. Use of data analytics, CRM platforms, and e-commerce channels enhances decision-making and improves customer experience. Concepts such as resource optimization, asset utilization, and strategic cost management are central to sustaining long-term profitability at Reliance Retail.

III. REVIEW OF LITERATURE

A robust body of literature supports the application of profitability ratio analysis in evaluating retail and corporate financial performance. The following review synthesizes key studies, organized thematically.

3.1. Profitability Ratios and Retail Performance

Arora and Meenakshi (2025) analysed profitability trends of organized retail companies in India, emphasizing margin control, cost efficiency, and supply chain optimization as key drivers of financial performance. Singh (2025) reinforced the relevance of Return on Assets and Return on Equity as reliable indicators of operational efficiency and managerial

decision-making. Khan and Ali (2024) identified rising operating and logistics costs as significant drivers of declining net profit margins in organized retail, emphasizing effective cost management strategies.

Patel and Desai (2023) demonstrated that improved inventory turnover positively impacts profitability ratios, while Nair (2023) highlighted the role of regular ratio analysis in early identification of financial issues. Sharma and Verma (2023) found that profitability analysis helps identify operational inefficiencies and supports strategic resource utilization.

3.2. Cost Behaviour, Asset Utilization, and Shareholder Returns

Mehta (2022) established that higher sales do not automatically translate into higher profits, underscoring the importance of cost and resource management. Kumar and Karthik (2021) highlighted high operating costs and intense competition as the principal challenges for organized retail firms in India. Reddy (2020) demonstrated that firms with strong cost management practices consistently achieve better financial outcomes.

Mishra (2012) highlighted Return on Assets as a key measure of asset utilization efficiency, while Rao and Prasad (2017) emphasized Return on Equity as a reflection of shareholder value. Malhotra (2017) positioned profitability analysis as a strategic financial planning tool supporting forecasting and long-term decision-making.

3.3. Theoretical Foundations

Pandey (2018) provided foundational theoretical clarity on profitability ratios in financial management, while Bhattacharya (2010) confirmed that ratio analysis remains a fundamental tool for financial evaluation, ensuring consistency and comparability across industries. Chandra (2005) discussed profitability analysis within financial management as a tool for assessing earning capacity and supporting managerial planning and control. Kothari (2013) argued that profitability analysis reflects organizational efficiency and supports long-term sustainability assessment.

IV. RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature. It describes the profitability position of Reliance Retail and analyses financial data using established financial tools, ensuring objectivity and reliability in performance evaluation.

The study relies entirely on secondary data, collected from published annual reports and financial statements of Reliance Retail, the official website of Reliance Industries Limited, financial databases, business portals, peer-reviewed journals, and standard textbooks on accounting and financial management. The use of audited financial statements enhances the reliability, authenticity, and comparability of data across years. Supplementary primary data was obtained through a structured questionnaire survey of 57 respondents to assess customer perception and shopping behaviour.

The analysis covers three consecutive financial years (FY 2023, FY 2024, FY 2025), enabling meaningful trend analysis and performance comparison. The following financial tools were employed: (1) Ratio Analysis — the primary tool, computing five profitability ratios; (2) Trend Analysis — to study the direction and pattern of ratios over the study period; and (3) Comparative Analysis — to identify year-on-year changes in revenues, expenses, and profit levels.

V. FINANCIAL DATA OVERVIEW

The following condensed financial data, extracted from the published annual reports of Reliance Industries Limited, forms the basis for the profitability ratio calculations.

These financial figures have been carefully selected to ensure accuracy and relevance for the study. The data includes key components such as revenue, cost of goods sold, and net profit required for ratio analysis. This information helps in evaluating the overall financial performance and profitability position of the company.

Table 2: Key Financial Metrics — Reliance Retail Limited (₹ in Crores)

Particulars	FY 2023 (Mar-23)	FY 2024 (Mar-24)	FY 2025 (Mar-25)
Revenue from Operations (Net)	5,28,315	5,34,534	5,17,349
Total Revenue	5,39,544	5,46,662	5,33,443
Total Expenses	4,85,411	4,91,389	4,87,315
Profit Before Tax (PBT)	54,133	55,273	46,128
Total Tax Expenses	11,116	13,231	10,866
Profit After Tax (PAT)	43,017	42,042	35,262
Total Assets	8,90,565	9,59,643	10,22,401
Shareholders' Funds	4,79,094	5,15,096	5,43,087

VI. DATA ANALYSIS AND INTERPRETATION

6.1 Gross Profit Ratio

The Gross Profit Ratio measures the relationship between gross profit and net sales, indicating efficiency in controlling the cost of goods sold. It is calculated as:

$$\text{Gross Profit Ratio} = \left(\frac{\text{Gross Profit}}{\text{Net Sales}} \right) \times 100$$

A higher ratio indicates better operational efficiency and effective pricing strategies. It also reflects the company’s ability to generate sufficient margin to cover operating expenses and earn profit.

Table 3: Gross Profit Ratio

Financial Year	Net/Gross Profit (₹ Cr)	Net Sales / Assets / Equity (₹ Cr)	Formula
FY 2023	1,36,807	5,28,315	$(\text{GP} / \text{Net Sales}) \times 100$
FY 2024	1,58,116	5,34,534	$(\text{GP} / \text{Net Sales}) \times 100$
FY 2025	1,33,328	5,17,349	$(\text{GP} / \text{Net Sales}) \times 100$

The gross profit ratio improved noticeably in FY 2024, rising from 25.9% to 29.6%, reflecting better cost efficiency in procurement and reduced cost of materials. However, the ratio declined to 25.8% in FY 2025, closely mirroring the FY 2023 level, indicating a reversal driven by higher input and material costs. Overall, the company maintains a stable gross margin, though the FY 2025 contraction signals a need for renewed focus on procurement strategies and supplier cost negotiations.

6.2 Net Profit Ratio

The Net Profit Ratio represents the relationship between net profit after all deductions (including interest and tax) and net sales. It is calculated as:

$$\text{Net Profit Ratio} = \left(\frac{\text{Net Profit}}{\text{Net Sales}} \right) \times 100$$

This ratio indicates the overall profitability of the business after considering all expenses. A higher net profit ratio reflects efficient cost management and strong financial performance. It also helps in assessing the company’s ability to generate profit from its total sales revenue.

Table 4: Net Profit Ratio

Financial Year	Net/Gross Profit (₹ Cr)	Net Sales / Assets / Equity (₹ Cr)	Formula
FY 2023	43,017	5,28,315	$(NP / \text{Net Sales}) \times 100$
FY 2024	42,042	5,34,534	$(NP / \text{Net Sales}) \times 100$
FY 2025	35,262	5,17,349	$(NP / \text{Net Sales}) \times 100$

The net profit ratio demonstrates a continuous and concerning declining trend over the three-year study period, falling from 8.1% in FY 2023 to 6.8% in FY 2025. This represents a reduction of approximately 1.3 percentage points. While the company still maintains positive profitability, the downward trajectory indicates that rising operating and non-operating expenses are increasingly eroding the bottom line. In the context of retail — an industry already characterized by thin margins — this trend warrants urgent attention to cost management and revenue optimization strategies.

6.3 Operating Profit Ratio

The Operating Profit Ratio measures the proportion of operating profit to net sales, reflecting the efficiency of core business operations. It is calculated as:

$$\text{Operating Profit Ratio} = \left(\frac{\text{Operating Profit}}{\text{Net Sales}} \right) \times 100$$

A higher ratio indicates better control over operating costs and improved operational efficiency.

Table 5: Operating Profit Ratio

Financial Year	Net/Gross Profit (₹ Cr)	Net Sales / Assets / Equity (₹ Cr)	Formula
FY 2023	54,133	5,28,315	$(OP / \text{Net Sales}) \times 100$
FY 2024	55,273	5,34,534	$(OP / \text{Net Sales}) \times 100$
FY 2025	46,128	5,17,349	$(OP / \text{Net Sales}) \times 100$

The operating profit ratio remained relatively stable between FY 2023 (10.2%) and FY 2024 (10.3%), demonstrating consistent operational efficiency over this period. However, a significant decline occurred in FY 2025, where the ratio fell to 8.9%. This drop of approximately 1.4 percentage points from FY 2024 suggests that operating expenses — including wages, logistics, store maintenance, and administrative costs — increased disproportionately relative to revenue. The decline in FY 2025 points to deteriorating core operational efficiency and signals that cost containment measures must be prioritized.

6.4 Return on Assets (ROA)

Return on Assets measures how efficiently a company uses its total assets to generate profits. It is calculated as:

$$ROA = \left(\frac{\text{Net Profit}}{\text{Total Assets}} \right) \times 100$$

This ratio indicates how effectively management is utilizing the company’s asset base to earn profits. A higher ROA reflects better asset utilization and operational efficiency. It helps investors and analysts assess the productivity of investments in assets. The ratio is especially useful when comparing companies within the same industry. A consistent improvement in

ROA over time signifies strong financial performance and effective management strategies.

Table 6: Return on Assets

Financial Year	Net/Gross Profit (₹ Cr)	Net Sales / Assets / Equity (₹ Cr)	Formula
FY 2023	43,017	8,90,565	(NP / Total Assets) × 100
FY 2024	42,042	9,59,643	(NP / Total Assets) × 100
FY 2025	35,262	10,22,401	(NP / Total Assets) × 100

The Return on Assets exhibits a consistent and pronounced declining trend, falling from 4.83% in FY 2023 to 3.45% in FY 2025 — a reduction of 1.38 percentage points over three years. This decline is driven by the dual impact of declining net profits and a simultaneously expanding asset base. Total assets grew from ₹8,90,565 crores in FY 2023 to ₹10,22,401 crores in FY 2025, reflecting the company's ongoing store network expansion and capital investment. However, these investments have not yet translated proportionally into higher profits, suggesting that newly acquired assets are not yet operating at full efficiency. Improvement in asset productivity will be essential to reversing this trend.

6.5 Return on Equity (ROE)

Return on Equity measures the return generated on shareholders' funds. It is calculated as:

$$ROE = (\text{Net Profit} / \text{Shareholders' Funds}) \times 100$$

This ratio indicates how effectively the company is using shareholders' investments to generate profit. A higher ROE reflects strong financial performance and efficient management. It is an important indicator for investors to evaluate the profitability and growth potential of the company.

Table 7: Return on Equity

Financial Year	Net/Gross Profit (₹ Cr)	Net Sales / Assets / Equity (₹ Cr)	Formula
FY 2023	43,017	4,79,094	(NP / Shareholders' Funds) × 100
FY 2024	42,042	5,15,096	(NP / Shareholders' Funds) × 100
FY 2025	35,262	5,43,087	(NP / Shareholders' Funds) × 100

Return on Equity has declined steadily across all three years, from 8.97% in FY 2023 to 6.49% in FY 2025, a reduction of approximately 2.48 percentage points. This consistent decline signals that shareholder returns are weakening. The dual effect of lower net profits and a growing equity base (as shareholders' funds rose from ₹4,79,094 crores to ₹5,43,087 crores) has compressed this ratio. From an investor perspective, this trend reduces the attractiveness of the company relative to alternative investments, underscoring the need for strategies that improve net earnings while optimizing the deployment of equity capital.

6.6 Summary of Profitability Ratios

Table 1: Summary of Profitability Ratios (FY 2023–2025)

Ratio	FY 2023	FY 2024	FY 2025
Gross Profit Ratio	25.9%	29.6%	25.8%
Net Profit Ratio	8.1%	7.9%	6.8%
Operating Profit Ratio	10.2%	10.3%	8.9%
Return on Assets (ROA)	4.83%	4.38%	3.45%
Return on Equity (ROE)	8.97%	8.16%	6.49%

The summary table reveals a clear and consistent directional pattern: with the exception of the gross profit ratio (which peaked in FY 2024 before reverting), all profitability metrics demonstrate a declining trend over the three-year period. This convergence of declining indicators points to systemic challenges in cost management and resource utilization that require strategic intervention.

VII. CUSTOMER PERCEPTION AND SHOPPING BEHAVIOUR ANALYSIS

This chapter presents an analysis of primary data collected through a structured questionnaire from 57 respondents. The data has been analysed using the percentage method and presented.

The analysis aims to interpret the responses clearly and systematically for better understanding. Each table represents the distribution of responses for different variables included in the study. The graphical representation through pie charts helps in easy visualization and comparison of data. The findings of this analysis provide meaningful insights into the patterns and preferences of the respondents.

7.1 Age Distribution of Respondents

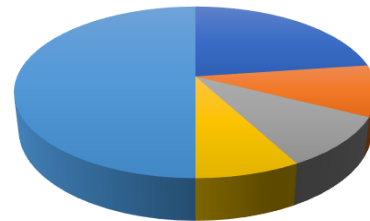
Table 8: Age Distribution of Respondents

Age Group	Number of Respondents	Percentage (%)
21–30 Years	46	45.6%
Below 20 Years	19	19.3%
Above 40 Years	19	19.3%
31–40 Years	16	15.8%
Total		100%

Interpretation:

The majority of respondents (45.6%) belong to the 21–30 age group, making young adults the dominant customer segment of Reliance Retail. This age group is brand-conscious and trend-driven, significantly influencing shopping patterns. The below-20 and above-40 groups each account for 19.3%, while the 31–40 group is the smallest segment at 15.8%.

Chart Title



■ 21–30 Years ■ Below 20 Years ■ Above 40 Years ■ 31–40 Years ■ Total

Chart 7.1: Pie Chart – Age Distribution of Respondents

7.2 Gender-Wise Classification of Respondents

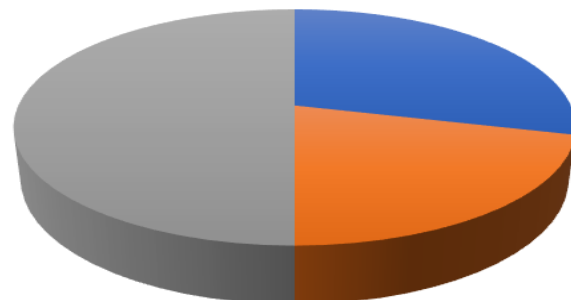
Table 9: Gender-Wise Classification of Respondents

Gender	Number of Respondents	Percentage (%)
Female	33	57.9%
Male	24	42.1%
Total	57	100%

Interpretation:

Female respondents constitute the majority at 57.9%, highlighting the significant role women play in retail purchasing decisions, especially in groceries, household items, and apparel. Male respondents account for 42.1%. This gender distribution provides valuable insight into purchasing behaviour and helps Reliance Retail tailor its marketing and product strategies accordingly.

Chart Title



■ Female ■ Male ■ Total

Chart 7.2: Pie Chart – Gender-Wise Classification of Respondents

VIII. KEY FINDINGS

8.1 Financial Findings

- The Gross Profit Ratio shows moderate fluctuation — improving from 25.9% (FY 2023) to 29.6% (FY 2024) before reverting to 25.8% (FY 2025) — indicating rising input costs in the most recent year.
- The Net Profit Ratio demonstrates a continuous declining trend (8.1% → 7.9% → 6.8%), suggesting that increasing operating and other expenses are progressively reducing overall profitability.
- The Operating Profit Ratio remained stable in FY 2023–24 (10.2% and 10.3%) but declined to 8.9% in FY 2025, indicating rising operating costs and reduced core operational efficiency.
- Return on Assets shows a pronounced downward trend (4.83% → 4.38% → 3.45%), reflecting that asset growth has outpaced profit growth, resulting in reduced asset productivity.
- Return on Equity also declines consistently (8.97% → 8.16% → 6.49%), indicating weakening returns to shareholders and less efficient utilization of equity capital.
- Overall, while Reliance Retail maintains positive profitability, all key ratios are under pressure due to rising costs, expanding assets, and revenue moderation in FY 2025.

8.2 Customer Perception Findings

- Young adults (21–30 years) form the dominant customer segment; female shoppers represent the majority customer base.
- The store attracts a predominantly middle to upper-middle income customer base with above-average spending capacity.
- Brand awareness is near-universal (94.7%), reflecting strong marketing effectiveness and market presence.
- Customer loyalty is high, with most respondents having engaged with the brand for over three years and shopping monthly or weekly.
- Product quality, availability of discounts, product variety, and competitive pricing are the primary purchase motivators.
- High satisfaction with service, store environment, and value for money generates strong brand advocacy and recommendation intent.

IX. SUGGESTIONS AND RECOMMENDATIONS

Based on the findings, the following strategic recommendations are proposed for Reliance Retail to reverse the declining profitability trend and sustain long-term growth:

- **Cost Optimization:** Implement targeted cost control measures across procurement, logistics, and administrative functions. Monitor and reduce unnecessary operating expenses to protect and improve net profit margins.
- **Asset Productivity Improvement:** Enhance the utilization of recently acquired assets, particularly new store infrastructure and warehousing investments, to ensure that capital expenditure translates into proportional profit growth. Adopt performance benchmarking for all major asset categories.
- **Equity and Capital Efficiency:** Develop strategies to improve Return on Equity through better financial planning, disciplined capital deployment, and profit maximization techniques. Evaluate underperforming investments for potential divestiture or restructuring.
- **Competitive Pricing Strategy:** Address customer perception of relatively higher prices by adopting dynamic, competitive pricing strategies, particularly in categories where direct competition is most intense, while protecting product quality standards.
- **Promotional Activity Management:** Continue leveraging promotional offers and festive campaigns to drive customer traffic and sales, but design these programs to ensure they do not materially erode profitability. Focus on margin-accretive promotional formats.
- **Digital Transformation:** Invest in advanced digital technologies — online shopping platforms, mobile applications, AI-driven personalization, and digital payment systems — to attract modern consumers, improve operational efficiency, and reduce transaction costs.
- **Supply Chain and Inventory Optimization:** Strengthen supply chain management and inventory control systems to reduce carrying costs, improve inventory turnover, and minimize waste. This can directly contribute to gross margin improvement.
- **Employee Development:** Implement regular staff training programs to enhance service quality,

customer interaction skills, and operational efficiency, thereby improving customer satisfaction and retention rates.

- Regular Financial Monitoring: Conduct periodic financial analysis using ratio analysis and advanced analytics tools to monitor performance against targets and enable timely corrective actions.

X. CONCLUSION

This study provides a comprehensive assessment of the financial performance and customer engagement landscape of Reliance Retail Limited. The analysis reveals a paradox at the heart of the company's recent trajectory: while it commands exceptionally strong brand awareness, high customer satisfaction, and a loyal, growing customer base, its profitability metrics — Net Profit Ratio, Operating Profit Ratio, Return on Assets, and Return on Equity — are all on a declining trajectory over the FY 2023–2025 study period.

The financial analysis indicates that despite robust revenue generation, rising operating costs, an expanding asset base, and increased competitive pressures are collectively compressing profit margins. The gross profit ratio's partial recovery in FY 2024 followed by a decline in FY 2025 further signals volatility in input cost management. These trends are consistent with the challenges documented in the broader organized retail literature, where high operating costs and intense competition are identified as principal threats to sustainable profitability.

The customer perception analysis, however, presents a more positive picture. High brand loyalty, strong purchasing power among the customer base, near-universal awareness, and consistent satisfaction with quality and service represent substantial competitive advantages. The willingness of customers to recommend the store and their long-term engagement with the brand provide a strong foundation for future growth.

In conclusion, Reliance Retail possesses significant growth potential by virtue of its market presence, diversified formats, and customer-centric approach. The critical challenge lies in bridging the gap between commercial success and financial performance. By aligning operational strategies with financial discipline — through cost optimization, improved asset productivity, digital innovation, and sustained service quality — Reliance Retail can overcome

current profitability challenges and secure a stronger, more resilient position in India's dynamic retail industry.

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