

PERFORMANCE EVALUATION AND ITS SUSTAINABILITY OF FLIPKART START-UP COMPANY IN INDIA

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Abstract- India is undergoing major fundamental problem unemployment. Start-ups are contributing a predominant role in the development of the economy and to resolve the issue of unemployment. India is amongst the fifth-largest start-up communities of the world. By the end of 2018 more than 3,000 start-ups were launched. These start-ups have been providing 80,000 new jobs and it is contributing to the remarkable growth of the Indian economy. There is a positive impact of start-ups towards improving the economy in the form of Gross Domestic Product (GDP). The start-up units initially facing sustainability after that turn into start-up companies which are playing a significant role in the growth of the economy (Martinsons, 2002). As a result, the government of India has taken various initiatives for the development of start-ups in India. In India, a few success stories such as Flipkart, Quicker, Practo, Zomato, and Inmobi start-up companies have indeed come a long way. But, some of them start up companies' are failures lack financial resources. Any start-up would face financial issues and problems at different stages (Colombo, 2008). This paper to focus on performance evaluation and its sustainability of flipkart in India with the objectives to know the structural framework of flipkart, to analyze the performance and its sustainability of flipkart and the future prospects of this company analysed by the researcher to take policy decision for the improvement of the company.

Index Terms- Flipkart, Performance evaluation, Sustainability, Future outlook

I. INTRODUCTION

Since India has restricted to invite FDIs in online retail. As a result, Flipkart is established to accelerate e-commerce business in retail. The operating and trading activities of online retail are complicated and many inter-connected logistics have been performing by the entities for attaining customer satisfaction. Flipkart India Private Ltd. is popularly known as 'Flipkart'. It was incorporated on the 19th of September, 2011 as a start-up unit. Later, it was turned into a start-up private limited company. The head office is located in Bangalore, Karnataka. There are two full-time directors were appointed viz., Santosh Kumar Bethala and Prabhu Bala Srinivasan. The longest holding director is Prabhu Bala Srinivasan who was appointed on 3rd July 2018. He has been holding on board for 1.8 months and recently the second director appointed Mr.Santosh Kumar Bethala who was appointed on the 16th of February, 2020.

II. REVIEW OF LITERATUR

Azoulay and Share, (2001); Bloom & Van Reenen, (2010); Armanios, (2017); Kulchina, (2017) had expressed that variance reasons for failure of start-ups companies. It may be lack of management capabilities, skilled labour, financial crisis etc. Baron and Hannan, (2002); Beckman, Burton and 'O' Reilly, (2007) stated technology start-ups are knowledge intensive employees required for high performance of the company. Ineffective of this key resources lead to downfall of the growth and even threaten for survival. *Kulchina, (2016)* highlights some start-ups founders acquire on hire basis experienced managers on the other hand rely on their own trial and error to run the business. Due to their

sustainability of start-ups are very dull and their drift is very poor towards achieving desired goals. Vermeulen, (2018) said that a wide array of topics including strategy, finance, marketing and people management issues are highly variable. As Entrepreneur to manage these variables are very difficult for sustainability of start-up companies. In some of the business firm are their survival and growth of the firm based on nature of the business. These are small/large, schools and hospitals for their business set of structure and goals. These businesses are getting continues feedback for improvement of their business (*Bloom and Van Reenen, 2006*). Shaik G., Babu P.R. (2019) refer to use of information for mobilizing funds from the banker in order to run the business effectively

III. RESEARCH GAP

The above review of literate indicates the failures of start-ups lack of management capabilities, skilled labourers, financial crisis etc. No study has done in the area of performance evaluation and its sustainability of start-up companies. Due to this the researcher focuses on performance evaluation of Flipkart and its future prospects for sustainability of this company.

IV. OBJECTIVES OF THE STUDY

1. To know the structural framework of Flipkart
2. To analyse the performance and its sustainability of Flipkart
3. To find out the future prospects of this company

V. METHODOLOGY OF THE STUDY

The data has been collected from the secondary sources. For analysing the data the researcher used various statistical techniques viz., correlation co-efficient, regression analysis and Anova. Based on the availability of data last 5 years has taken to find the performance and sustainability of the company.

VI. STRUCTURE OF THE FLIPKART PVT LTD- SINGAPORE

Four subsidiary entities were incorporated in Singapore with 100 percent holding by Flipkart Private Ltd. These are Flipkart Digital Media Private Limited in November 2010, Flipkart Payments Services Ltd. in December 2011,

Flipkart logistics private limited in September 2012, and Flipkart Market place Private Ltd. in September 2012. The Flipkart India Pvt. Ltd was incorporated in September 2011 the holding of 0.01 percent.

Table:1 refers the structure of flipkart private limited. The Flipkart Internet Pvt. Ltd was incorporated in October 2012 with the holding of 99.39 percent of which Flipkart.com provides a technology-based platform to e-commerce business entities. Flipkart Payments Gateway Private Ltd. was incorporate in December 2011 earlier as Flipkart Digital Private Limited. It was holding the share of 99.76 percent the remaining share is having by Flipkart private ltd. i.e., 0.24 percent.

From Annexure 1, the success of any company supporting Mechanisms is required; otherwise, it increases the risk of failures (Salamzadeh A. F., 2015). The availability of finance is critical for the start-ups and its sustainability depending upon getting sufficient amounts (Ashish, 2014) (Truong, 2016).

Table:1 highlights the top five shareholders of the company. The ownership of Flipkart Private Ltd., Singapore largely rests with 29.5 percent by Tiger Global, 11.5 percent by Accel Partners, 8.7 percent by Naspers and the Bansals. About 30 percent stake is holding by Tiger Global the US-based hedge fund in the parent company.

Table: 1

FLIPKART PRIVATE LIMITED: TOP FIVE SHAREHOLDING COMPANIES

(Post- Myntra Acquisition)

Sl. No.	Name of the Shareholder	Share %
1	Tiger Global	29.5
2	Intervision Services	18.4
3	Accel Partners	11.5
4	Binny Bansal	8.7
5	Sachin Bansal	8.7
6	Others	23.2

PROFITABILITY AND LONG-TERM VIABILITY

Initial stage many start-ups i.e., two-third of units are failure only the rest of the units are turned into start-up companies (Vesper, 1990). Many start-ups have a failed lack of attention on existing trends, legal issues, and environmental elements. Establishing an entity is easier than forecast the environmental aspects of the business (Boeker, 1988) (Bruton G. &, 2002). In September 2012 Flipkart acquired WS Retail. The board members were the Bansals and his two relatives. During this time a large stake holding by former Chief Operating Officer of Mr. Rajeev Kuchhal, OnMobile Global Ltd. Tapas Rudrapatna and Sujeet Kumar were having 46% and more than 75% of stake in WS Retail and Flipkart's business respectively. Both entities used to share offices and their warehouses. Flipkart had made sharing of ownership to increase long-term profits. But the results were not satisfactory. For the year ended 31st March 2013 and 2014, the losses were recorded by all entities of Flipkart India amounted to INR 644.37 crores and INR 719.49 crores, the revenue of INR 1,163.10 and INR 3,025.505 respectively.

Table 2: FINANCIAL HIGHLIGHTS OF FLIPKART BY THE END OF 31ST MARCH, 2019

Particulars	Amount in INR /Ratio
Operating Revenue (Crore)	Over INR 500 c
EBITDA	-89.33
Net worth	-3.38
Debt/Equity Ratio	0.03
Return on Equity	-62.48

Table: 2 indicate the operating revenue of Flipkart India Private Limited is INR 500 crore for the financial year 31st March 2019. It's operating profit such as earnings before interest, tax and depreciation has decreased by -89.33 percent comparatively the previous year and its book net worth was also reduced by -3.38 percent. The paid-up capital of this company by the end of September 2019 was INR 0.98 crore. The debt-

equity ratio of the company is 0.03. It is very low in the e-retail business.

The subsidiary units of this company such as logistics and fashion retailer Myntra reported a net loss of INR 5.770 crores on revenues about INR 18, 000 crores. As per the records of the corporate affairs ministry by the end of March, 31st 2019 posted a total loss of Flipkart was INR 3, 836.8 crores whereas compared to the previous year recorded a loss of INR 2,063.8 crore. It was increasing the net loss by 85.91 percent.

Table: 4 highlights income statement of flipkart during the period of 2014-19. The revenue from operations of Flipkart rose 42.82 percent i.e., from INR 21, 657.7 crores to INR 30,931 crore during the period of 2017-19.¹ The net income has been increasing from 4.0 million to INR 38.4 million between 2014 and 2019.

Table: 3

INCOME STATEMENT OF FLIPKART DURING THE PERIOD OF 31ST MARCH 2014-2019

(Amount in billions)

Year	Revenue	Revenue Growth Rate	Net Income
2014	28.4	--	4
2015	95.3	235.5634	8.3
2016	131.7	38.19517	5.4
2017	155.6	18.1473	2.4
2018	216.5	39.13882	20.6
2019	309.3	42.86374	38.4

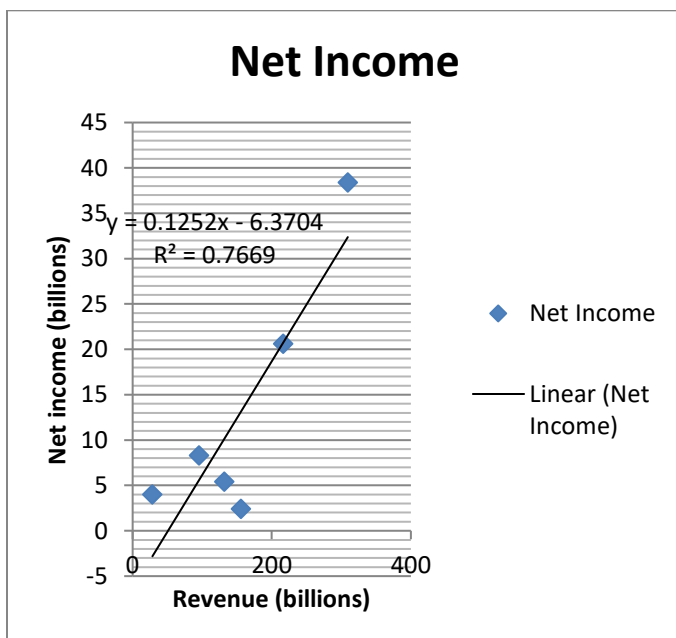
Correlation=0.875723

This company has been facing tough competition from the rival of Amazon. The Flipkart internet has been providing various functions and services to Amazon. This was also one of the reasons for the losses of Flipkart about 40 percent i.e., INR 1, 624 crores for the year ending 31st March 2019 whereas the operating revenue of this unit rose by 51 percent i.e., INR 4, 234 crores as against the previous fiscal year.

¹ <https://www.flipkart.com>

SUMMARY OUTPUT

Regression Statistics		
Multiple R	0.875723226	
R Square	0.766891169	
Adjusted R Square	0.708613962	
Standard Error	7.541510337	
Observations	6	
ANOVA		
	df	SS
Regression	1	748.430
Residual	4	227.49
Total	5	975.928
	Coefficients	Standard Error
Intercept	-6.370443327	6.2070
Revenue	0.125237681	0.0345



FINDINGS

From the analysis, it is found that the operating profit i.e., earnings before interest, tax and depreciation

has been decreasing by -89.33%. The debt-equity ratio of this company is also very low i.e., 0.03.

The net loss of this company during the period 2018-19 was increased to Rs.3, 836.8 crores from Rs.2, 063.8 crores.

The net income of Flipkart has been increasing from 4.0 million to Rs.38.4 million between 2014 and 19.

From the analysis, it is observed that there is a strong positive correlation between revenue and net income as the obtained coefficient of correlations is $0.8757 > 0.7$ (as the rule of thumb). Further to examine the impact of revenue on net income is analysed using the regression analysis. The result states that the model is highly significant with the coefficient of determination i.e., $R^2 = 0.766$, this value indicates that 76.6% of the variance in dependent variable i.e., net income is better explained by the explanatory variable i.e., revenue. The obtained regression model is as follows.

Net Income = -6.730 + 0.125 RevenueModel

FUTURE OUTLOOK

The Flipkart India Pvt limited is involved in various business services are including B2B and B2C. Due to the sequence of losses the Flipkart India Pvt Ltd sold its business to US-based giant retail company Wal-Mart with an amount of \$16million i.e., 77 percent stake. This is a long term strategy of the company for its sustainability in the e-retailing business.

CONCLUSION

It may conclude that based on the findings of the company initially as start-up unit since 2011 in profitable line in half of the decade. Due to transformation of the unit to large scale company and it has opened subsidiary units in different countries without proper financial planning. Still, the Flipkart the revenue is positively correlated with net income even though selling their stake to Wal-Mart with a long term strategy. Hence, it is, therefore, this company with the help of various business strategies will be sustaining and attaining greater heights in the future.

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Annexure 1: THE STRUCTURE OF FLIPKART PRIVATE LIMITED, SINGAPORE

Sl. No.	Name of the Company	Incorporated year	Share %	
			Holding Company	Subsidiary Company
1	Flipkart India Pvt. Ltd.	September 2011	99.9	0.1
2	Flipkart Digital Media Private Ltd.	November 2010	100	--
3	Flipkart Marketplace Private Ltd.	September 2012	100	--
4	Flipkart Logistics Pvt., Ltd.	September 2012	100	--
5	Flipkart Internet Pvt. Ltd.	October 2012	0.61	99.39
6	Flipkart Payment Gateway (Previously Flipkart Digital Pvt. Ltd.)	December 2012	0.24	99.76