

Financial Analysis

Wal-Mart Stores Incorporated operates chain of retail stores in USA as well as outside the USA. The first Wal-Mart store was opened by Sam Walton in Arkansas in USA in 1962. Within a span of five years; he opened more stores and the number increased to 24 stores across Arkansas. The incorporation of Wal-Mart Stores Incorporated was done in 1969. Wal-Mart grew in the United States of America by opening of more stores in to the country. The company not only opened the stores across Arkansas but also across the United States of America (Wal-Mart Corporate, 2010).

Wal-Mart was opposed by the unorganized retail business holders in the USA as their business was affected by opening Wal-Mart stores. The company also opened its first store outside the USA in South America in 1995. Wal-Mart wanted to spread itself not only to the USA, but in other countries as well. In 2006, the company was having 3800 stores in USA and more than 2980 stores outside USA making it one of the largest retail chains in the world. This corporation was also having a vision to establish itself in to a global entity. Wal-Mart was one of the first companies to operate in the organized retail sector (Fishman, 2006). The modes of entry used by the company were different for different countries. Wal-Mart used the mode of entry in to various countries according to the rules and regulations prevailing in to that country (Wal-Mart Stores Inc: Financial Statement, 2010).

The sales of the company for the financial year ending in January 2010 are 413.8 billion dollars and income for the same period is 14.7 billion dollars. The quarterly sales growth for the company has been 5.90%, while the industry average is 6.80 %. The five-year annual growth in the sales of the company has been recorded at 7.50 % while five year annual growth of income is 6.58 %. By analyzing the financial statements of Wal-

Mart Incorporated, we find that debt equity ratio of Wal-Mart is 0.71 on 31st January 2010, which is 0.68 for the industry. It means the proportion of debt of the company in its capital structure is lesser than the equity. The company is less leveraged so the interest burden on the company is minimal. Wal-Mart has capacity to borrow from the market for its CAPEX in the future. The interest coverage ratio is 13 times in January 2010, which is 21.9 for the industry. Wal-Mart needs to improve profitability to improve interest coverage ratio for the reduction of risk of the lenders of the company (Wal-Mart Stores Inc: Financial Statement, 2010).

The total revenues received by the organization in the year ending January 2010 were \$408.2 billion whereas revenues in the year ending January 2009 were \$404.3 billion dollars. The revenues in the year ending January 2008 stood at \$377 billion dollars. Thus, it can be easily analyzed that the total revenues of the organization has grown over the years steadily. This has also impacted the net income of the organization and thus, increments could also be seen in the net income of the organization. Net Income, which stood in the year ending 2008 at \$12.7 billion, increased to \$13.4 billion for the year ending 2009 and again increased to \$14.3 billion in the year ending 2010 (Wal-Mart Stores Inc: Financial Statement, 2010).

Again if cash flow statement of the organization is analyzed it can easily be viewed that the cash flow from operating activities have always increased from the last three years. The cash flow from operating activities stood at \$20.6 billion in the year ending 2008 has increased to \$23.1 billion for the year ending 2009 and too further increased to \$26.2 billion for the year ending 2010. But the cash flow from investing and financing activities has seen positive and negative fluctuations both. Here where net cash