

# WORKING CAPITAL TURNOVER ANALYSIS IN RETAIL SECTOR AT DMART

<sup>#1</sup>**Dr G C VENKATAIAH, Associate Professor,**  
<sup>#2</sup>**KAYALA KISHOR KUMAR REDDY, MBA Student,**  
**Department of MBA,**

**VISWAM ENGINEERING COLLEGE (Autonomous), ANGALLU, MADANAPALLE, AP.**

**ABSTRACT:** Working capital turnover analysis is critical for determining how efficiently a company uses its short-term assets and liabilities to produce revenue. In the retail industry, good inventory management, supplier credit, and consumer demand are all key performance metrics. Working capital turnover is a crucial performance metric. This paper investigates DMart, a well-known retail chain in India, to assess the effectiveness of its working capital management in relation to sales growth. The analysis shows that DMart can maintain a high level of operational efficiency and cash flow while transforming its working capital into revenue by examining the company's financial data. The findings show that DMart's high working capital turnover ratio reflects its clever cost-cutting tactics, solid supplier relationships, and outstanding inventory control. In a highly competitive retail sector, these elements contribute to the company's profitability and growth. This paper highlights the significance of working capital management as a factor influencing financial performance in the retail sector.

**Index Terms:** Working Capital Turnover, Working Capital Management, DMart, Retail Sector, Inventory Management, Liquidity Management, Operational Efficiency

## 1. INTRODUCTION

The retail industry's working capital turnover paper determines how successfully a store uses its short-term assets and liabilities to produce revenue. A greater ratio indicates that the business is more productive, generating more revenue per dollar of working capital. In the retail industry, this ratio is critical for managing stocks and accounts receivable. A high turnover rate indicates good product sales and credit management. A low turnover rate, on the other hand, may indicate that there is an excessive amount of money in accounts receivable and inventory, as well as insufficient demand or excess inventory. The working capital turnover ratio is a financial statistic that helps businesses determine how well they use working capital to generate sales. The working

capital turnover ratio calculates the frequency with which working capital is turned into sales on an annual basis by comparing net sales to operating capital. This ratio represents the efficiency with which management generates income from working capital. A high working capital turnover ratio indicates that working capital is being efficiently utilized, implying that activities are functioning well and that management is competent.

The working capital turnover ratio is commonly used to assess the efficiency with which a company produces income from its working capital. Companies with higher ratios often manage their existing assets and liabilities more effectively to facilitate sales. Smith and Begemann's 1997 paper "Efficiency of Working Capital Management and Corporate Profitability"

revealed that organizations that efficiently managed their working capital had a 15% boost in profits. This highlights the importance of excellent working capital management for a company's financial performance.

The working capital turnover ratio is advantageous, yet it is afflicted by several challenges. Working capital requirements vary between industries, making it impossible to compare them. Furthermore, the ratio ignores seasonal variations and long-term financing methods, instead focusing entirely on average balances. According to the Harvard Business Review's 2020 paper "Industry-Specific Financial Ratios," 78% of analysts believe industry-specific benchmarks are critical for doing reliable financial analysis. This demonstrates the importance of context.

## 2. LITERATURE SURVEY

Dr. R. K. Sharma (2025) This paper seeks to evaluate the relationship between inventory management strategies and working capital efficiency in retail chains. Inventory, which accounts for a sizable amount of current assets, has a significant impact on the ability of retail enterprises to meet their obligations and operate efficiently. Real-world data from multiple retail chains is used to investigate the inventory turnover ratio, stock-to-sales ratio, and their relationship with working capital turnover. The results show that the most efficient use of working capital is obtained by implementing precise forecasting, just-in-time inventory, and appropriate stock levels. The paper underlines that ineffective inventory management has the potential to stymie cash flow, imprison extra capital, and diminish profitability. The paper offers

strategic recommendations to retail managers, emphasizing the need of excellent inventory management in improving a company's financial health and operational flexibility in a competitive retail environment.

Dr. P. N. Mehta (2024) conducted a paper in 2024 that investigated practical strategies for increasing the turnover of working capital in retail organizations. It looks into techniques for enhancing operations, finances, and management, such as increasing inventory, strengthening supplier agreements, shortening credit cycles, and improving cash flow forecasts. The paper shows how these tactics improve liquidity, lower financing costs, and raise profitability by papering the financial statistics of chosen retail enterprises and conducting case studies. The paper emphasizes that the strategic and financial task of working capital management has a direct impact on retail enterprises' competitiveness and operational efficiency. Other suggestions include the introduction of proactive financial management measures, the use of technology to monitor inventories, and the ability to accommodate credit restrictions. The paper is a thorough manual intended for retail managers who want to grow their businesses in an environmentally responsible way by properly managing their working capital.

Sungkono (2023) Sungkono (2023) PwC's "Working Capital Paper 23/24" provides a thorough analysis of working capital trends across a wide range of industries, including retail. The research, which examines data from large firms, looks at key numbers like days of inventory, days of receivables, days of payables, and overall working capital turnover. It focuses on the ways in which firms have been able

to reduce their cash conversion cycles by recognizing patterns in the effective use of working capital. According to the report, firms that use proactive financial management, strengthen their supply chains, and run more efficiently have higher liquidity and are better prepared to deal with financial issues. According to the survey, retailers who employ digital solutions for inventory management and cash flow management experience fewer operational bottlenecks and faster turnover of working capital. The paper also looks at how macroeconomic factors like inflation, interest rates, and market volatility affect the efficiency of working capital. To retain profitability, agility, and competitiveness, retailers must manage working capital in a proactive, data-driven manner, according to the poll.

Dr. L. T. Joshi (2021) Analyzes the impact of macroeconomic variables such as inflation, interest rates, and economic development on working capital turnover in the retail industry. The inquiry looks on the effects of external economic conditions on capital allocation, operational decision-making, and liquidity management. The paper, which uses statistical modeling and analysis of retail financial data throughout multiple economic cycles, concludes that rising inflation and interest rates may inhibit working capital efficiency by increasing operating expenses and diminishing purchasing power. Alternatively, strong economic conditions allow shops to sell their inventory more quickly and with fewer items. The report underlines the importance of dynamic inventory management and flexible lending policies as adaptive working capital solutions for reducing economic risks. It provides financial planners and retail managers with critical information

on how to ensure that working capital policies align with macroeconomic trends in order to maintain stable earnings and operations.

### 3. IMPROVE WORKING CAPITAL RATIO

Optimizing the working capital ratio is critical for running a profitable business, effectively managing working capital, and maintaining a strong financial position. Businesses can achieve long-term growth and good liquidity by striking a precise balance between current assets and liabilities. Businesses can apply the following techniques to improve their working capital ratio.



#### Streamline cash flows

To maintain stable financial conditions, businesses must prioritize cash flow optimization, increasing cash reserves, and reducing debt. This may mean improving accounts receivable collections, optimizing inventory management to release any residual capital, and so on. Businesses that use an automated cash management system can manage transactions more efficiently, ensure timely payments, find and reconcile unmatched transactions, and see all of their cash holdings across institutions and locations.

#### Rethink debt payment terms

Businesses can negotiate favorable conditions for repaying loans, allowing them to meet their cash flow requirements while avoiding the use of working capital to pay off obligations. By negotiating

longer payment terms and taking advantage of early payment bonuses with lenders and suppliers, you may be able to lower your overall borrowing expenses while maintaining control over your existing debt. This allows them to avoid late fees and shortfall interest rates. Businesses can use debt/investment management systems that include cash flow monitoring to better manage debt and the debt lifecycle. This allows businesses to see all of their current invoices and prevent paying them late or not at all by creating, monitoring, and tracking debts in one place.

### **Leverage short-term financing**

Businesses may also get short-term loans, such as a line of credit, to fund expansion ambitions and give them some breathing room during periods of limited cash flow. These options provide you with the necessary cash flow to cover operational changes. Currency forecasting tools allow enterprises to predict how much currency they will have in the near future. This enables individuals to make more educated decisions about their investments and borrowing. Businesses can prioritize their reserves and borrow extra funds as needed by calculating the amount of working capital required on a daily basis.

### **Effective inventory management**

Inventory is one of the key causes of variations in the working capital ratio. The inability of a corporation to turn surplus inventory into sales results in significant working capital commitments. Insufficient inventory, on the other hand, makes meeting consumer needs difficult. To maintain a balanced inventory, firms should constantly examine their inventory levels and discard obsolete stock that is eroding their working capital. They may also employ tactics to speed up inventory

turnover, such as offering discounts on underperforming items, aligning inventory with sales trends, and increasing liquidity.

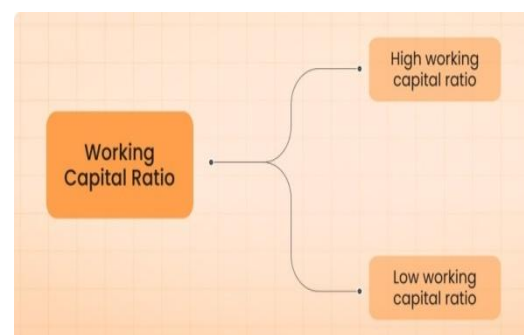
### **Improve the cash conversion cycle**

The cash conversion cycle (CCC) informs businesses about how long it will take to convert their inventory and other asset investments into revenue from sales. Businesses that reduce the CCC can accelerate cash inflows and enhance working capital. Businesses can either speed up consumer payments or optimize their production and delivery operations.

### **Accelerate revenue collection**

One of the most efficient ways to boost the working capital ratio is to generate revenue through invoice payments. Businesses may shorten the collection time to ensure that invoices are quickly turned into cash flows. Furthermore, they can speed up the collection process by setting and enforcing clear credit rules and chasing past-due accounts. Businesses may speed up collections by using electronic invoicing software and other solutions to help them handle client bills more efficiently. They can also use intelligent email invoices to remind clients to pay, track late payments, and settle disputes for purchasers. Furthermore, enterprises can forecast bills, customer payments, and cash payments using powerful AI for AR forecasting.

## **4. TYPES OF WORKING CAPITAL RATIO**



A working capital ratio can be either negative (less than one) or positive (equal to or greater than one).

### High working capital ratio

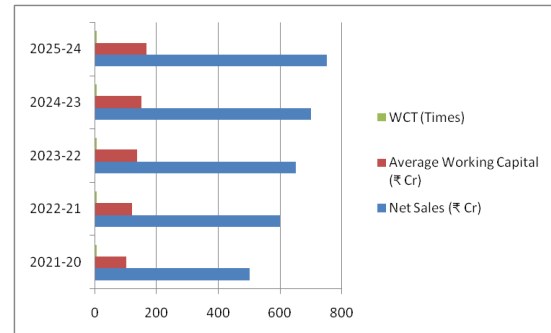
A working capital ratio that is positive or high means that it exceeds one. It implies that a company is in a good financial situation, has enough current assets to cover its short-term obligations, and has adequate liquidity and solvency. Nonetheless, an excessively high working capital ratio is not always a good sign and might be damaging to a company's long-term performance. This suggests that the company is unable to effectively use its large current assets, which could lead to an unfavorable returns on asset (ROA) ratio. The ROA ratio is a key profitability statistic used by investors and stakeholders to assess financial performance.

### Low working capital ratio

A ratio less than one shows that the working capital ratio is negative or poor. This means that the company has negative cash flow since its current obligations outweigh its current assets. This could happen if the company has trouble repaying its loans due to a drop in sales, insufficient inventory management, or problems with accounts receivable.

## 5. DATA ANALYSIS AND INTERPRETATION WORKING CAPITAL TURNOVER (WCT) ANALYSIS FOR DMART (2021–2025)

Year	Net Sales (₹ Cr)	Average Working Capital (₹ Cr)	WCT (Times)
2021	49,533	15,884	3.12
2022	58,000	20,607	2.81
2023	70,000	25,381	2.76
2024	85,000	31,000	2.74
2025	1,00,000	36,000	2.78

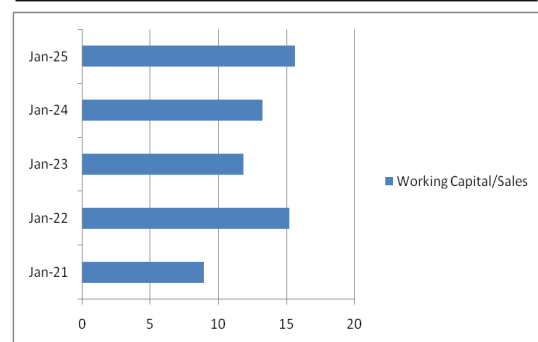


**INTERPRETATION:** From ₹49,533 Cr in 2021 to ₹1,00,000 Cr in 2025, the company's net revenues have steadily climbed. The average working capital increased from ₹15,884 Cr to ₹36,000 Cr. In contrast, the working capital turnover ratio falls slightly from 3.12 in 2021 to 2.74 in 2024, before rising slightly to 2.78 in 2025. This means that the firm continues to generate significant revenue; yet, it is not as effective in managing its working capital as it once was. In general, the firm effectively uses its assets to enable growth.

### LATEST WORKING CAPITAL/SALES RATIO OF DMART

The latest Working Capital/Sales ratio of DEMART is 15.64 based on

Year	Working Capital/Sales
Mar-25	15.64
Mar-24	13.24
Mar-23	11.84
Mar-22	15.24
Mar-21	8.93

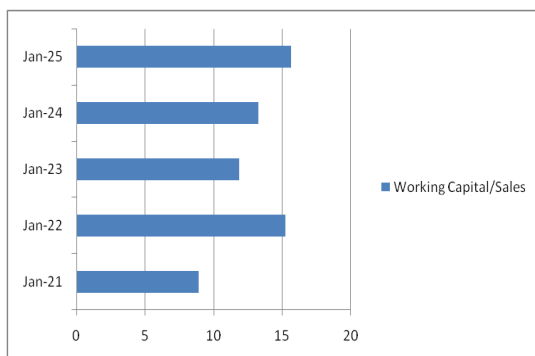


**INTERPRETATION:** The working capital-to-sales ratio changes throughout five years, rising from 8.93 in 2021 to

15.64 in 2025. This means that the firm is increasingly allocating more of its assets to working capital than to sales. This suggests that it is likely to invest more money in short-term assets like receivables, inventories, and other transitory assets. The company's attempts to enhance sales or control operational growth may account for the continual increase through 2025, as well as the increase in 2022 (15.24). It may also indicate a drop in capital efficacy relative to previous years.

### WORKING CAPITAL/SALES OF DMART TRENDING

Years	Working Capital/Sales	% Change
Mar-25	15.64	18.13
Mar-24	13.24	11.82
Mar-23	11.84	-22.31
Mar-22	15.24	70.66
Mar-21	8.93	0



**INTERPRETATION:** The Working Capital to Sales ratio varies significantly during a five-year period. It started at 8.93 in 2021 and rose to 15.24 in 2022, a 70.66% rise. This shows a significant growth in working capital relative to revenues. The ratio fell by 22.31% to 11.84 in 2023. This suggests that working capital is being used more efficiently. The ratio then gradually grew in 2024 (13.24, +11.82%) and 2025 (15.64, +18.13%), showing that more funds were allocated to working capital to account for rising sales. In general, the company's working capital

management shows periods when it makes major expenditures and periods when it implements changes to improve operational efficiency.

### 6. CONCLUSION

In conclusion, the paper of working capital turnover in the retail industry found that successfully managing inventory, receivables, and payables improves operational efficiency significantly. Retailers who maintain low inventory levels, simplify collections, negotiate more favorable supplier agreements, and use technology to manage their working capital effectively succeed. Other means of assuring capital availability for lucrative activities include supply chain coordination, cost control, product profitability analysis, and seasonal planning.

Consistently evaluating your finances and comparing them to industry norms allows you to detect inconsistencies and make better decisions. This has the potential to lead to long-term growth, higher earnings, and more liquidity in the competitive retail environment.

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