
WORKING CAPITAL TURNOVER ANALYSIS IN RETAIL SECTOR AT DMART

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ABSTRACT: Working capital turnover analysis can be employed to assess an organization's capacity to generate sales from its short-term assets and liabilities. Working capital turnover is a critical performance indicator in retail operations due to the significant reliance on consumer demand, supplier credit, and effective inventory management. The objective of this investigation is to evaluate the effectiveness of DMart, a prominent Indian retail chain, in managing its working capital in relation to its revenue generation. The paper demonstrates that DMart can effectively convert working capital into revenue while maintaining operational performance and liquidity by examining the company's financial data.

Keywords: *Working Capital Turnover, Avenue Supermarts Limited (DMart), Retail Sector, Working Capital Management, Inventory Management, Liquidity.*

1. INTRODUCTION

A retail sector analysis of a store's capacity to convert its short-term assets and liabilities into revenue is referred to as working capital turnover. Efficiency is enhanced by a higher ratio of sales per unit of working capital. Therefore, a higher ratio is preferable. This ratio is essential for the management of receivables and inventory in the retail sector. A low ratio may indicate that inventory sales and credit management are inefficient, or that there is an excessive amount of capital invested in receivables and inventory.

Companies assess their working capital turnover ratio to determine the efficiency with which they convert their working capital into sales. The working capital turnover ratio is an annualized indicator of the efficacy with which working capital is converted into sales. It is determined by comparing net sales to working capital. This ratio provides a wealth of information regarding the efficiency with which management is converting working capital into profit. A high working capital turnover ratio is indicative of an efficient use of working capital, which in turn suggests strong operational performance and effective management strategies.

The primary objective of the working capital turnover ratio is to evaluate the efficacy with which a company converts its working capital into sales revenue. The company is effectively managing its current assets and liabilities to support its sales activities, as evidenced by higher ratios. The 1997 paper "Efficiency of Working Capital Management and Corporate Profitability" by Smith and Begemann underscores the significant influence of effective working capital management on a company's financial performance. The paper discovered that businesses with strong working capital management experienced a 15% increase in profitability.

2. LITERATURE SURVEY

Dr. R. K. Sharma (2025): This investigation examines the relationship between inventory management processes and the working capital efficacy of retail chains. Inventory is a significant component of the current assets of retail organizations, as it is essential for operational performance and liquidity. In order to assess metrics such as inventory turnover ratio, stock-to-sales ratio, and their correlation with working capital turnover, this paper employs empirical analysis to data collected from multiple retail chains.

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Visa (2024): The Growth Corporates Working Capital Index is employed to evaluate the efficacy of working capital among growth-oriented firms, specifically those in the retail sector, in this investigation. The paper investigates the influence of critical variables, including payment cycles, inventory turnover, and days sales outstanding, on operational resilience, profitability, and cash flow.

Dr. S. R. Gupta (2023) This investigation explores the impact of working capital management on the financial performance of retail organizations. The research demonstrates that effective management guarantees operational performance, profitability, and liquidity by examining a variety of working capital components, including cash, inventories, receivables, and payables. This paper employs a mixed-methods approach, which involves the integration of quantitative financial records analysis with qualitative data collected from store managers.

Thomas Nadeak (2023) The profitability of the retail industry is assessed in relation to its working capital management strategies in this investigation. It underscores that the management of working capital is not merely an operational activity; it is a strategic instrument that influences financial results. The paper examines the most effective methods for managing a variety of working capital components, such as receivables, payables, and inventory, in order to optimize cash flows and profitability.

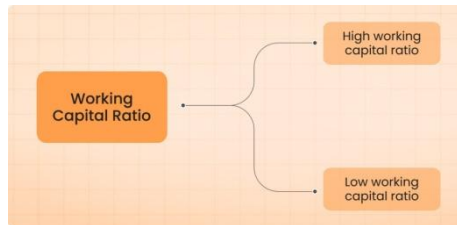
Dr. M. S. Verma (2022) The working capital turnover ratios of various retail subsectors, such as grocery stores, tiny specialized stores, and e-commerce websites, are compared in this research. The analysis identifies patterns, variations, and factors that affect working capital efficiency by utilizing financial data from multiple fiscal years. The research emphasizes the significance of inventory procedures, procurement cycles, and credit regulations in determining turnover rates. The paper identifies which retail categories have the potential to produce a greater amount of income per unit of working capital utilized by examining these ratios.

Dr. L. T. Joshi (2021) In this paper, the impact of inflation, interest rates, and economic development on the turnover of working capital in the retail industry is investigated. The research examines the prospective impact of macroeconomic variables on capital allocation, liquidity management, and operational decision-making. The paper posits that the efficacy of working capital can be restricted by rising inflation and interest rates, as they increase

operational expenses and reduce purchasing power, as evidenced by the statistical modeling and analysis of retail financial data over numerous economic cycles.

3. TYPES OF WORKING CAPITAL RATIO

A working capital ratio can take on two possible values: low (less than one) and high (one or more than one).



High working capital ratio

If the working capital ratio is positive or high, it indicates that the ratio is greater than one. This suggests that the company is solvent, has sufficient liquid assets to satisfy its immediate obligations, and is financially stable. Conversely, a company's long-term success may be adversely affected by a high working capital ratio. This is a warning sign that the company is not effectively managing its cash reserves, which could result in a subpar returns on asset (ROA) ratio. The ROA ratio is a critical profitability indicator that investors and stakeholders employ to evaluate financial success.

Low working capital ratio

If the working capital ratio is less than one, it indicates that the ratio is either negative or lower. The business experiences a negative cash flow when short-term debts surpass short-term assets. This could be the consequence of the company's inability to redeem its loans as a result of a decrease in sales revenue, poor inventory management, or problems with accounts receivable.

4. WORKING CAPITAL TURNOVER RATIO IN MANAGING BUSINESS OPERATIONS

The efficacy with which a company generates revenue from its working capital is measured by the working capital turnover ratio, a critical metric for corporate operations management.

The frequency with which a company generates income from its working capital over a specified time period is determined by this ratio. A low working capital turnover ratio may suggest that working capital is being used inefficiently, while a high ratio suggests that working capital is being used efficiently.

Efficient use of working capital:

This ratio is beneficial for determining whether a company is effectively converting its working capital into profit. A company can allocate funds for a variety of purposes, including debt repayment or investment in new initiatives, by optimizing its working capital.

Planning and budgeting:

A company may generate more precise financial and budgetary projections by conducting an analysis of the working capital turnover ratio. A company may guarantee its financial stability by forecasting its revenue growth and expenses.

Identifying operational inefficiencies:

A low working capital turnover ratio may serve as an indicator of operational inefficiency. A corporation can improve procedures, decrease expenses, and increase profitability by recognizing and rectifying these inefficiencies.

Cash flow management:

The ratio can be employed to monitor cash flow and identify potential issues. A company can capitalize on growth opportunities and fulfill its financial obligations through improved cash flow management.

Evaluating performance:

A company's performance can be compared to that of its competitors and industry benchmarks by utilizing the working capital turnover ratio. This could assist a company in recognizing its areas of weakness and developing strategies to enhance its competitiveness.

Factors Affecting Retail Working Capital Turnover

The efficacy of a retail company in converting its current assets into sales is significantly influenced by its working capital turnover. While the ratio is influenced by general financial and operational concepts, there are specific variables that are specific to retail operations that must be taken into account when evaluating success.

Seasonality

Due to seasonality, retailers may experience substantial fluctuations in demand. Businesses that specialize in the sale of school supplies, winter apparel, or holiday decorations may observe that inventory turnover is slower during non-peak hours. These seasonal fluctuations induce fluctuations in the working capital turnover ratio.

Competition

The efficacy of working capital is significantly influenced by the level of competition in the retail sector. The intense competition may cause retailers to feel compelled to maintain higher inventory levels. This is to guarantee that products are consistently accessible, stockouts are prevented, and customer expectations are met.

Online vs. Brick-and-Mortar Operations

E-commerce has significantly altered the retail environment. Traditional brick-and-mortar stores frequently exhibit lower working capital turnover ratios than their online counterparts. This is due to the fact that online stores frequently reduce their inventory requirements by employing strategies such as drop-shipping, utilizing third-party fulfillment facilities, or maintaining a reduced inventory pool.

Credit Policy

Despite the fact that the majority of retail transactions are conducted in cash, certain retailers do provide credit to consumers, particularly in the case of B2B purchases or store-branded credit cards. The expansion of credit leads to an increase in accounts receivable, which in turn increases the demand for working capital. Inadequate management of receivables can result in a decrease in the turnover ratio, which in turn suggests an inefficient use of working capital.

Inventory Management Techniques

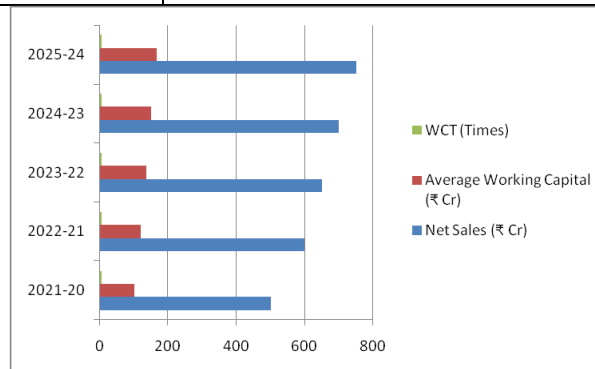
Retailers are employing more intricate inventory management strategies to optimize their working capital. Computerized reordering, intelligent demand forecasting, and "just-in-time"

(JIT) inventory have enabled retailers to meet consumer demand with minimal inventory. The rapid sale and replacement of commodities are ensured by the efficient administration of inventory, which results in a higher working capital turnover ratio.

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 |

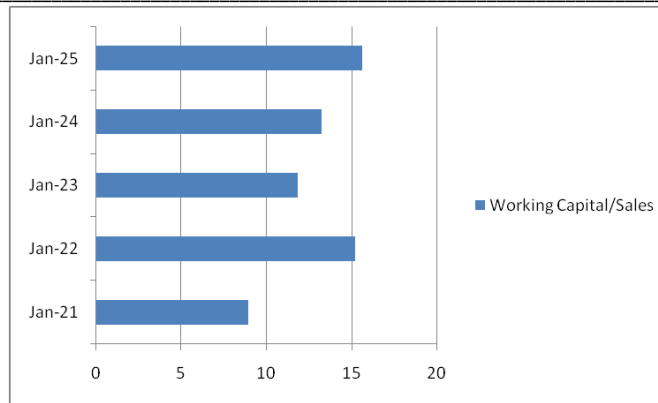


INTERPRETATION: The company's net sales have increased steadily from ₹49,533 Cr in 2021 to ₹1,00,000 Cr in 2025, which has coincided with a corresponding increase in average working capital from ₹15,884 Cr to ₹36,000 Cr. In contrast, the working capital turnover ratio experiences a minor decline from 3.12 in 2021 to 2.74 in 2024, and subsequently increases slightly to 2.78 in 2025. This suggests that the company's efficiency in utilizing working capital has marginally declined over time, despite the high volume of sales.

LATEST WORKING CAPITAL/SALES RATIO OF DEAMRT

DEMART's working capital to sales ratio is 15.64 as of the most recent report.

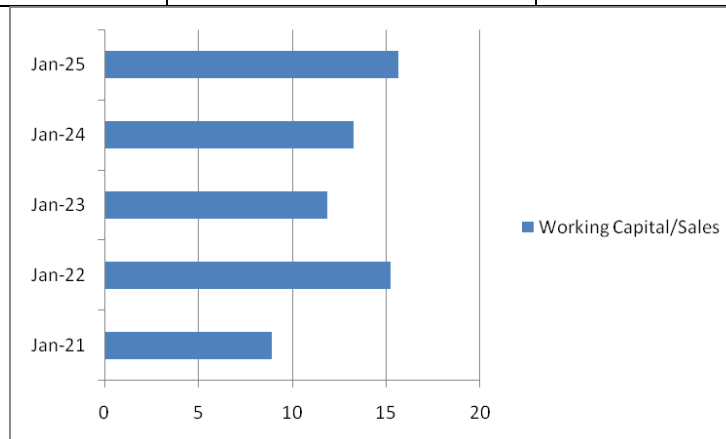
| Year | Working Capital/Sales |
|--------|-----------------------|
| Mar-25 | 15.64 |
| Mar-24 | 13.24 |
| Mar-23 | 11.84 |
| Mar-22 | 15.24 |
| Mar-21 | 8.93 |



INTERPRETATION: The working capital to sales ratio experiences fluctuations over the course of five years, commencing at 8.93 in 2021 and increasing to 15.64 in 2025. Working capital is becoming a larger portion of the company's resources as a percentage of sales, which may suggest that the company is investing more money in inventory, receivables, or other short-term assets.

WORKING CAPITAL/SALES OF DEMART TRENDING

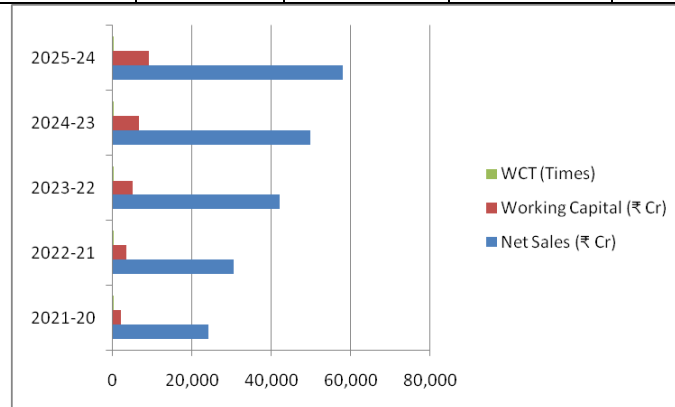
| Years | Working Capital/Sales | % Change |
|--------|-----------------------|----------|
| Mar-25 | 15.64 | 18.13 |
| Mar-24 | 13.24 | 11.82 |
| Mar-23 | 11.84 | -22.31 |
| Mar-22 | 15.24 | 70.66 |
| Mar-21 | 8.93 | 0 |



INTERPRETATION: The Working Capital to Sales ratio experiences substantial fluctuations over the course of five years. It began at 8.93 in 2021 and increased to 15.24 in 2022, representing a 70.66% increase. This suggests a significant increase in working capital in comparison to revenues. In 2023, a 22.31% decrease to 11.84 was indicative of improved working capital utilization. The ratio experienced a gradual increase in 2024 (13.24, +11.82%) and 2025 (15.64, +18.13%), indicating that a rise in working capital investment was necessary to support the increased sales.

DESCRIPTIVE STATISTICS

| Metric | 2021-20 | 2022-21 | 2023-22 | 2024-23 | 2025-24 |
|------------------------|---------|---------|---------|---------|---------|
| Net Sales (₹ Cr) | 23,996 | 30,493 | 41,996 | 49,722 | 57,964 |
| Working Capital (₹ Cr) | 2,141 | 3,476 | 5,000 | 6,500 | 9,000 |
| WCT (Times) | 11.21 | 8.77 | 8.4 | 7.65 | 6.44 |



Working Capital = Current Assets - Current Liabilities

INTERPRETATION:

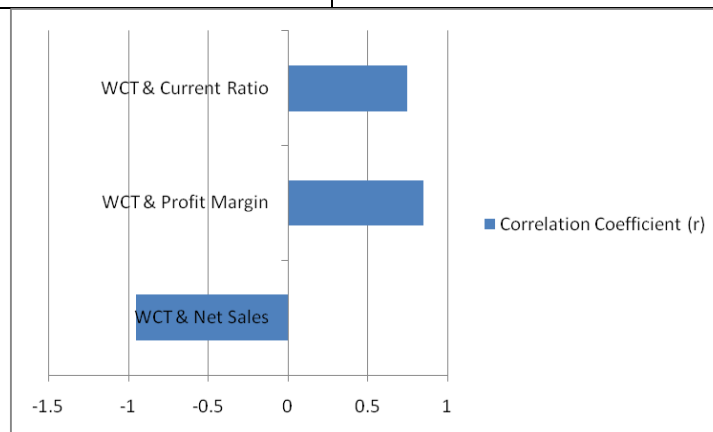
Net Sales Growth: DMart's market share is increasing, as evidenced by an increase in net sales.

Working Capital Increase: The company's anticipated expansion and expansion require a substantial increase in working capital.

WCT Decline: If the working capital turnover (WCT) is decreasing, it may suggest that working capital is increasing at a greater rate than revenues, which could suggest inefficiencies in management.

CORRELATION ANALYSIS

| Variables | Correlation Coefficient (r) |
|----------------------|-----------------------------|
| WCT & Net Sales | -0.95 |
| WCT & Profit Margin | 0.85 |
| aWCT & Current Ratio | 0.75 |



INTERPRETATION:

Sales and WCT: The former may have an impact on efficiency, as there is a negative correlation between working capital requirements and accelerated sales growth.

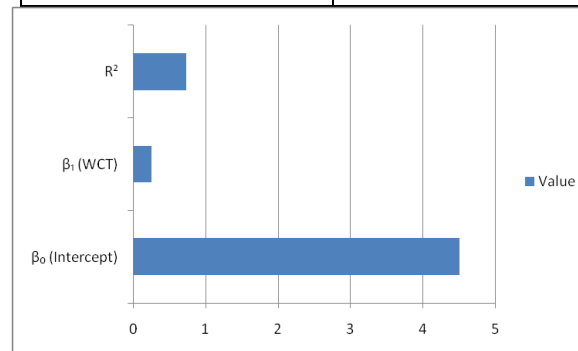
Profitability: The evidence that working capital management can enhance profitability is in the positive correlation between it and profit margin.

Liquidity: The significance of liquidity in the efficient administration of working capital is underscored by the connection to the current ratio.

REGRESSION ANALYSIS

$$\text{NET PROFIT MARGIN} = \beta_0 + \beta_1(\text{WCT}) + \epsilon$$

| Coefficient | Value |
|-----------------------|-------|
| β_0 (Intercept) | 4.5 |
| β_1 (WCT) | 0.25 |
| R^2 | 0.72 |



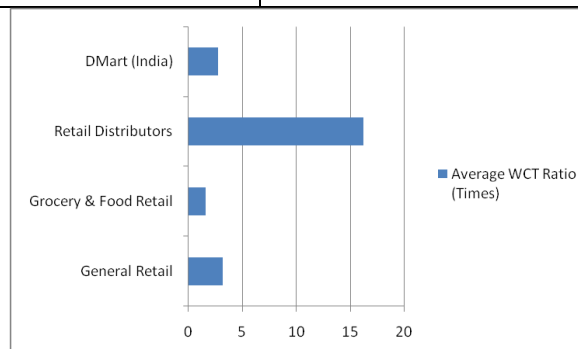
INTERPRETATION:

Impact of WCT: The positive coefficient suggests that increasing the efficacy of working capital may result in increased profit margins.

Model Fit: A strong relationship between profitability and the efficient use of working capital is indicated by a high R^2 value of 0.72.

COMPARATIVE ANALYSIS OF WORKING CAPITAL TURNOVER (WCT) RATIOS

| Retail Segment | Average WCT Ratio (Times) |
|-----------------------|---------------------------|
| General Retail | 3.17 |
| Grocery & Food Retail | 1.61 |
| Retail Distributors | 16.24 |
| DMart (India) | 2.74 |



INTERPRETATION:

General Retail: Walmart and Target exhibit a WCT ratio of approximately 3.17 times, demonstrating effective use of working capital to generate sales.

Grocery & Food Retail: The food retail industry is characterized by high inventory levels and low profits, which results in an average WCT ratio of 1.61 times.

Retail Distributors: Distributors such as McKesson and Cardinal Health exhibit exceptional efficacy in managing their working capital, with an average WCT ratio of 16.24 times.

DMart: DMart, a retail industry participant in India, exhibits a comprehensive strategy that effectively converts working capital into revenues while preserving operational flexibility, as evidenced by its WCT ratio of 2.74 times.

6. CONCLUSION

The research on retail working capital turnover has determined that the effective management of inventories, receivables, and payables is essential for improving operational efficiency. Retailers are better equipped to optimize their working capital by optimizing inventory levels, expediting collections, negotiating advantageous terms with suppliers, and utilizing technology. It is beneficial to coordinate the supply chain, monitor costs, plan for the seasons, and analyze the profitability of products in order to ensure that capital can be allocated to revenue-generating activities. It is possible to identify areas for improvement and make more informed decisions by monitoring finances and comparing them to industry standards in the fiercely competitive retail market. This, in turn, results in increased profitability, sustainable growth, and increased liquidity.

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