



An Analytical Study of Working Capital of D-Mart in Nagpur City

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Abstract:

The working capital management of a company is crucial for its operational success, ensuring that the company maintains sufficient short-term assets to meet its short-term liabilities. This research paper aims to analyze the working capital practices of D-Mart in Nagpur city, a leading retail chain in India. By evaluating D-Mart's financial strategies, customer satisfaction levels, and future directions, the study offers valuable insights into how effective working capital management contributes to the growth and stability of the company. The study also examines the strategic implications of these practices on the retail sector.

Keywords: Working Capital Management, Ratio Analysis.

1. Introduction

D-Mart, owned by Avenue Supermarts Ltd., has become one of India's most prominent supermarket chains. The company operates on a strategy of providing customers with high-quality products at competitive prices, a model that has contributed to its success. Working capital, which refers to the difference between a company's current assets and current liabilities, plays an essential role in ensuring the smooth day-to-day functioning of retail businesses like D-Mart. This paper explores the working capital management practices at D-Mart, specifically focusing on its operations in Nagpur city. By understanding how D-Mart manages its liquidity, we can assess its financial health and operational efficiency.

D-Mart, a leading Indian retail chain owned by Avenue Supermarts Ltd., was founded by Radhakishan Damani in 2002, offering a wide range of products at competitive prices, with a focus on customer satisfaction and operational efficiency.

Key aspects of D-Mart: Founder: Radhakishan Damani Year Founded: 2002 Parent Company: Avenue Supermarts Ltd. Business Model: D-Mart operates a value retail chain, aiming to be a one-stop destination for everyday needs, offering products at competitive prices. Product Range: D-Mart stocks a wide variety of products, including groceries, household

essentials, beauty and personal care products, apparel, footwear, and more. Store Presence: D-Mart has a well-established presence across various states in India, with a growing number of stores. Focus: D-Mart prioritizes customer satisfaction and operational efficiency, aiming to provide good products at great value. Customer Service: D-Mart emphasizes rigorous training to deliver excellent customer service, defined by its culture of integrity, merit-based growth, and leadership by example. Current CEO: Anshul Asawa, effective March 15, 2025

1. Broad Product Range: Like other D-Mart stores, the Nagpur branch stocks a diverse array of items, including fresh produce, packaged foods, home utilities, and daily essentials.
2. Competitive Pricing: True to its business model, the store emphasizes everyday low prices, ensuring affordability for budget-conscious shoppers.
3. Organized Layout: The store layout is designed for ease of navigation, helping customers quickly
4. locate products Efficient Service: With a focus on efficient operations, D-Mart ensures that the store is well-stocked and maintains a customer-friendly shopping environment.

2. Role of Working Capital in DMART

Working capital is a critical financial metric for companies in the retail sector, as it ensures that the business can continue its daily operations without disruption. For D-



Mart, the efficient management of working capital allows it to:

- Maintain sufficient inventory levels: This is vital for a retail chain like D-Mart, where the availability of goods directly impacts sales.
- Ensure smooth operations: Retail businesses face constant cash flow challenges, particularly with the need to maintain a balance between sales and procurement.
- Manage supplier relationships: Efficient working capital management helps D-Mart to manage credit terms with suppliers and negotiate better payment terms, which can further enhance profitability.

D-Mart's ability to turn its inventory quickly and manage its accounts payable effectively has allowed it to maintain a low level of working capital while ensuring that it does not face liquidity issues.

Analytical Tools:

- Working Capital Turnover Ratio: This ratio measures how efficiently a company uses its working capital to generate revenue.
- Current Ratio: This ratio assesses a company's ability to meet its short-term obligations using its current assets.
- Acid-Test Ratio (Quick Ratio): This ratio provides a more conservative measure of

4. Data Analysis and Interpretation

Table1: Size of current assets and liabilities and Networking capital of DMART during the period 2017- 18 to 2021-22.

Formula: current assets-current liabilities=Net Working Capital.

Year	Current Assets	Current Liabilities	Net Working Capital
2017-18	2029	1212	817
2018-19	2292	721	1571
2019-2020	3960	1071	2889
2020-2021	3351	1094	2257
2021-2022	5337	1332	4005

Interpretation: The current assets and current liabilities of D-MART is increasing year by year only except 2020-2021 there is a slight downfall in that year

liquidity by excluding inventory from current assets.

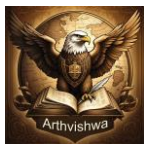
3. Financial Strategies In DMART

D-Mart's financial strategies focus on maximizing profitability while maintaining strong liquidity, which is achieved through:

- Efficient inventory management: D-Mart's strategy is to operate with low working capital by maintaining high inventory turnover. This helps the company minimize holding costs and reduce the need for excess working capital.
- Cost control and low operating expenses: D-Mart's business model relies on controlling costs through economies of scale, supplier negotiations, and efficient store operations.
- Cash management: D-Mart ensures that cash flows are optimized by focusing on short-term financing options and maintaining a stable relationship with suppliers and creditors.
- Stock a wide variety of products: Ensuring a range of products are always available, which keeps customers satisfied and loyal.
- Offer competitive prices: By managing working capital efficiently, D-Mart is able to reduce costs and pass on the benefits to customers in the form of lower prices.

with the range of 2257 of net capital compare to previous one which is 2889. But it increased in the year 2021-2022 with the range of 4005 of capital

Table2: Working Capital Turnover Ratio



Formula: working capital turnover ratio = net sales/working capital:

Year	Sales	Working Capital	Turnover Ratio
2017-18	4816.17	7997.23	0.6022977
2018-19	7028.66	17518	0.40122434
2019-20	9203.2	20493.2	0.44908555
2020-21	15186.8	20903	0.72653725
2021-22	16748.3	19330.9	0.86640056

Interpretation: The debtor's Turnover Ratio expresses the relationship between debtors and sales. The above graph shows that there

5. Future Direction and Implication

As D-Mart continues to expand, especially into new markets, effective working capital management will become even more critical. Future directions for D-Mart in Nagpur and across India may include:

- Expansion into smaller cities and towns: This would require more careful management of working capital to ensure smooth operations in less urbanized regions.
- Increase in online presence: The growth of e-commerce and online shopping presents both challenges and opportunities for working capital management, as D-Mart would need to manage inventory and logistics for both physical stores and online orders.
- Sustainability efforts: D-Mart may need to invest in sustainable practices that require upfront capital but result in long-term cost savings and increased customer loyalty. In these contexts, efficient working capital management will allow D-Mart to adapt to changing market conditions while maintaining profitability and customer satisfaction.

6. Conclusion

The study of D-Mart's working capital management practices in Nagpur highlights the importance of efficient liquidity management in the retail sector. D-Mart's success can be attributed to its ability to manage inventory, reduce operational costs, and keep a steady cash flow. Customer satisfaction is also a direct result of the

are some fluctuations in the ratio. There was a continuous increment from year 2018-2019.

company's financial strategies, as it ensures product availability, affordability, and a seamless shopping experience. Looking ahead, D-Mart's continued focus on working capital efficiency will be crucial to maintaining its growth trajectory, particularly in expanding into new markets and adapting to e-commerce trends.

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