

A Study on Working Capital Management on D-Mart

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Abstract: Working capital is blood of a business. In the human body blood circulation is very necessary for maintaining life just same as working capital is very necessary to maintain business very smoothly. Without working capital we cannot run business successfully. Working capital management is the main components of finance. It is related to current assets and current liabilities. Working capital is used for paying daily expenses and long term liabilities. Working capital is required for financial current assets as cash, marketable securities, debtors and inventories. Working capital is whose funds that cover the cost of operation the enterprise.

Key Word: Working Capital Management, About the D-Mart, Ratio Analysis, Statement of Change in Working Capital

INTRODUCTION

Working capital means Net working capital. Accounting concept is also defined by them. An excess of current assets over current liabilities it is called Working capital. It helps in finding out firm's capacity to reach short terms liabilities as well as indicates the financial strength of business.

Working capital can be classified on the base of concept and on the basis of time. On the basis of concept, working capital classified in two parts: (1) Gross working capital and (2) Net working capital. Working capital means to gross working capital. It is also know financial concept. It means the capital invested in the current assets of the firm. Current assets and Current liabilities mean which assets and liabilities we can be transferred in to cash easily in an accounting period. Net working capital means an excess of current assets over current liabilities. On the basis of time, working capital classified into two categories: (1) Permanent working capital: It is also called fixed working capital. This working capital period is more than 12 months. The firm is required to minimum amount of working capital for paid their daily expenses. (2) Temporary working capital: It is also called variable working capital. This is necessary to meet the seasonal demand and some special purpose. Permanent working capital is a stable while Temporary working capital is fluctuates. Effective working capital management is making to strong business strategy. More working capital and least working capital both have a negative impact on business performance.

Introduction of the Study:

D-Mart is a chain of hypermarket and supermarkets in India started by R K Damani. It founded in 15th May 2002 as of 2016, it has 110 stores spread across Maharashtra, Gujarat, Telangana, Andhra Pradesh, Madhya Pradesh, Chhattisgarh and Karnataka. The company shows a good place in advancing towards expanding across India.

The retailer has 29 sectors in Maharashtra and Gujarat, and is likely to double that number in the next two years. D-Mart will add 10-15 large format stores of 30,000-40,000 sq.ft every year for the next two years. D-mart did not reply to email queries. D-Mart is a one type supermarket chain that aims to offer customers a wide range of home and personal products under one roof. Each D-Mart store stocks home utility products including food, toiletries, beauty products, garments, kitchenware, home appliances and more available at competitive prices that our customers appreciate.

D-Mart was started by Mr. Radhakishan Damani to address the growing needs of the Indian family. From the launch of its first store in Powai in 2002, D-Mart today has a well established presence in 110 locations across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana and Chhattisgarh. With our mission to be the lowest priced retailer in the regions we operate, our business continues to grow with new locations planned in more cities.

The supermarket chain of D-Mart stores is owned by Avenue Supermarts Ltd. (ASL) the Company has its headquarters in Powai, Mumbai. The middle income group mainly resides here and nearby is it.

The product mix is good and lot of variety is available. The D-Mart offer price is less than other retailer. D-Mart executives credit the chain's operating model for its smooth sailing. The chain pays its suppliers within 48 hours of delivery, gaining a 1-2% advantage on cost margin over other national retailers, claimed the first company executive mentioned earlier.

Review of Literature:

Mahfuzah Salim and Dr. Raj Yadav investigate the relationship between capital structure and firm performance by taking sample of 237 Malaysian listed companies. They measured the performance by return on assets, return on equity and earnings per share. Their research found that short term debt, long term debt and total debt had a significant negative impact on firm performance.

Vijaykumar and Venkatachalam on "Responsiveness of working capital management". This study generally indicates a moderate trend in the financial position and utilization of working capital size should be avoided. Attempts should also make to use funds more effectively, by keeping on optimum level of working capital. Because keeping more current abesses cause a reduction in profitability. Hence efforts should make to ensure a positive trend in the estimations and maintenances of working capital.

Objectives of the Study:

- To study the working capital performance
- To find out the company liquidity positions

- To know the way of financing working capital in firm

Research Methodology:

The research paper is based on exploratory research. Secondary data collected from various books, National & International Journals, Magazines and secondary sources.

Tools of analysis:

- Ratio Analysis
- Statement of changes in working capital

Period of the Study:

- The present study covers 2014 to 2018 a 5 years period.

Limitation of the Study:

- The previous statement cannot be helpful for the future.
- There is no standard rule for most of ratio so we cannot comparison to another.
- Information and data reliability are limited by time period.
- Some information is secreted to the organization and its non-availability also limited the scope of the project.

Ratio Analysis:

Ratio / Years	2014	2015	2016	2017	2018
Current ratio	1.25	1.56	1.17	2.77	2.77
Quick ratio	0.47	0.48	0.45	2.47	1.23
Proprietary ratio	0.66	0.62	0.60	0.78	0.95
Net Profit ratio	3.40	3.27	3.70	4.06	5.22
Inventory Turnover Ratio	12.86	12.14	12.99	12.73	13.08
Debt Equity ratio	0.52	0.62	0.68	0.29	0.05

- (1) **Current ratio:** From 2014 to 2018 D-Mart maintain his current ratio averagely 1.90 during research period. All year current ratio nearly ideal ratio 2:1. So we have to suggest that D-Mart liquidity position is better because every year current ratio has been increasing.
- (2) **Quick ratio:** This ratio show company liquidity position. 2014 to 2016 D-Mart liquidity position is satisfied because in this time D-Mart quick ratio nearly ideal ratio 1:1 and 2017 & 2018 quick ratio more than ideal ratio so in this time D-Mart liquidity position is not satisfied.
- (3) **Proprietary ratio:** 2014 to 2018 D-Mart financial position is strong because every year this ratio has been increase. So this ratio proved that company most of used owns fund and least depended on outside fund.
- (4) **Net Profit ratio:** This ratio has been show D-Mart profitability. This ratio find out by company net profit. Every year this ratio has been increase so we have to suggest that company selling is increase and company most of used their investment.
- (5) **Inventory Turnover ratio:** We have to know company selling strength by this ratio. Every year D-Mart inventory turnover ratio has been increase. If the inventory turnover ratio of company is high it leads to more sales of goods with less profit and we have to need least working capital.
- (6) **Debt Equity ratio:** This ratio is used to evaluate a company financial leverage. 2014 to 2016 this ratio is highest so in this time D-Mart outstanding debts more than shareholder equity. But in 2017 & 2018 this ratio is lowest so in this time D-Mart outstanding debts less than shareholder equity and its show company progress.

Statement of change in working capital (2014-2015):

Below all these table last two column value has been shown increase and decrease in working capital. When increase and decrease in current assets though increase and decrease in working capital. It means working capital and current asset between positive relations. When increase in current liability though decrease in working capital and when decrease in current liability though increase in working capital. It means current liability and working capital between negative positions.

(Rs. in corer.)

Particulars	2014	2015	Increase	Decrease
Current Assets:-				
Stock	363.98	529.92	165.94	
Sundry Debtors	9.50	7.07		2.43
Cash & Bank	51.92	35.86		16.06
Loans & Advances	101.81	157.03	55.22	
Total Current Assets	425.40	572.85	147.45	
Total Current Assets	527.21	729.88		
Current Liabilities :-				
Provision	8.74	17.56		8.82
Total Current Liability	337.64	396.62		58.98
Total Current Liability	346.64	414.18		
Net working capital	87.76	176.23		

Increase in working capital	88.47			88.47
Total	176.23	176.23	165.94	165.94

In 2015 D-Mart current assets have been Rs. 147.45 cr. In this current assets stock have been increase with Rs. 165.94 cr. and sundry debtors and cash & bank have been decrease with Rs. 18.49 cr. (2.43+16.06). The current liability has been decrease with Rs. 58.98 cr. In short, 2015 D-Mart net working capital has been increase with Rs. 88.47 cr. So we have to say that in 2015 D-Mart used for application of fund.

Statement of change in working capital (2015-2016):

(Rs. in corer.)

Particulars	2015	2016	Increase	Decrease
Current Assets:-				
Stock	529.92	660.20	130.28	
Sundry Debtors	7.07	8.38	1.31	
Cash & Bank	35.86	32.59		3.27
Loans & Advances	157.03	203.59	46.56	
Total Current Assets	572.85	701.17	128.32	
Total Current Assets	729.88	904.76		
Current Liabilities :-				
Provision	17.56	5.38	12.18	
Total Current Liability	396.62	542.33		145.71
Total Current Liability	414.18	547.71		
Net working capital	176.23	158.84		
Decrease in working capital		17.39	17.39	
Total	176.23	176.23	148.98	148.98

In 2016 D-Mart current assets have been Rs. 128.32 cr. In this current assets stock and sundry debtors have been increase with Rs. 131.59 cr. (130.28+1.31) and cash & bank has been decrease with Rs. 3.27 cr. The current liability has been decrease with Rs. 145.71 cr. In short, 2016 D-Mart net working capital have been decrease with Rs. 17.39 cr. So we have to say that in 2016 D-Mart received for application of fund.

Statement of change in working capital (2016-2017):

(Rs. in corer.)

Particulars	2016	2017	Increase	Decrease
Current Assets:-				
Stock	660.20	933.16	272.96	
Sundry Debtors	68.38	21.00	12.62	
Cash & Bank	32.59	1881.31	1848.72	
Loans & Advances	203.59	228.27	24.68	
Total Current Assets	701.17	2835.47	2134.3	
Total Current Assets	904.76	3063.74		
Current Liabilities :-				
Provision	5.38	8.16		2.78
Total Current Liability	542.33	853.34		311.01
Total Current Liability	547.71	861.50		
Net working capital	158.84	1982.13		
Increase in working capital	1823.29			1823.29
Total	1982.13	1982.13	2134.3	2134.3

In 2017 D-Mart current assets have been Rs. 2134.3 cr. In these current assets stock, sundry debtors and cash & bank have been increase with Rs. 2134.3 cr. (272.96+12.62+1848.72). In 2017 D-Mart cash & bank higher against 2014 to 2016. The current liability has been decrease with Rs. 311.01 cr. In short, 2017 D-Mart net working capital have been decrease with Rs. 1823.29 cr. So we have to say that in 2017 D-Mart used for application of fund.

Statement of change in working capital (2017-2018):

(Rs. in corer.)

Particulars	2017	2018	Increase	Decrease
Current Assets:-				
Stock	933.16	1147.04	213.88	
Sundry Debtors	21.00	33.86	12.36	
Cash & Bank	1881.31	556.46		1324.85

Loans & Advances	228.27	291.18	62.91	
Total Current Assets	2835.47	1736.86	1098.61	
Total Current Assets	3063.74	2028.04		
Current Liabilities :-				
Provision	8.16	11.85		3.69
Total Current Liability	853.34	704.65	148.69	
Total Current Liability	861.50	716.50		
Net working capital	1982.13	1032.21		
Decrease in working capital		949.92	949.92	
Total	1982.13	1982.13	1324.85	1324.85

In 2018 D-Mart current assets have been Rs. 1098.61 cr. In this current assets stock and sundry debtors have been increase with Rs. 226.24 cr. (213.88+12.36) and cash & bank has been decrease with Rs. 1324.85 cr. The current liability has been increase with Rs. 148.69 cr. In short, 2018 D-Mart net working capital have been decrease with Rs. 949.92 cr. So we have to say that in 2018 D-Mart received for application of fund.

Conclusion:

In this study, D-Mart working capital management is overall satisfied but there is a need for improvement in stock. In 2015 & 2017 D-Mart working capital is satisfied because in this time working capital has been increase. In 2016 & 2018 D-Mart working capital is not satisfied because in this time working capital has been decrease. But now D-Mart is growing company in Indian supermarket. So they are maintained stock and other current assets on the hand are properly utilized.

The firm's liquidity position most of depends on stock, debtors, loans and advances, cash & bank, bills receivables etc., are also responsible. However, through this study it was founded that there is need for an immediate improvement in working capital and stock.

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