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A STUDY ON WORKING CAPITAL MANAGEMENTAT D-MART

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I. ABSTRACT

Working capital refers to the money that a company uses to finance its daily operations. Proper management of working capital is critical to financial health and operational success. Working capital management (WCM) aims to maximize operational efficiency by maintaining a delicate balance among growth, profitability, and liquidity. WCM is a continuous responsibility focusing on a firm's day-to-day operations involving short-term assets and liabilities. By efficiently managing a firm's cash, accounts receivable, inventories, and accounts payable, managers can help maintain smooth operations and improve a company's earnings and profitability. By contrast, poor WCM could lead to a lower credit score, financial insolvency, legal troubles, liquidation of assets, and potential bankruptcy.

II. STATEMENT OF THE PROBLEM

The problem of working capital management involves the problem of decision making regarding investment in various current assets with an objective of maintaining the liquidity of funds of the firm to meet its obligations promptly and efficiently.

III. INTRODUCTION

Cash is the lifeline of a company. If this lifeline deteriorates, the company's ability to fund operations, reinvest and meet capital requirements and payments also deteriorate. Understanding a company's cash flow health is essential for making investment decisions. A good way to judge a company's cash flow prospects is to look at its working capital management (WCM).

Working capital of a company reveals more about the financial condition of a business than almost any other calculation. It tells you what would be left if a company raised all of its short term resources, and used them to pay off its short term liabilities. The more working capital, the less financial strain a company experiences.

Working capital also gives investors an idea of the company's underlying operational efficiency. Money that is tied up in inventory or money that customers still owe to the company can't be used to pay off any of its obligations. So, if a company is not operating in the most efficient manner (slow collection) it will show up in the working capital. This can be seen by comparing the working capital from one period of time to another; slow collection may signal an underlying problem in the company's operations.

The definition of working capital is that it is the difference between an organization’s current assets and its current liabilities. Of more importance is its function which is primarily to support the day-to-day financial operations of an organization, including the purchase of stock, the payment of salaries, wages and other business expenses, and the financing of credit sales. It’s a measure of both a

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company's efficiency and its short-term financial health.

IV. NEED OF THE STUDY:

Working capital management is one of the key areas of financial decision-making. It is significant because, the management must see that an excessive investment in current assets should protect the company from the problems of stock-out. Current assets will also determine the liquidity position of the firm.

The goal of working capital management is to manage the firm current assets and current liabilities in such a way that a satisfactory level of working capital is maintained. If the firm cannot maintain a satisfactory level of working capital, it is likely to become insolvent and may be even forced into bankruptcy.

V. OBJECTIVE OF THE STUDY:

1. To study the existing working capital management system of D MART.
2. To understand how the company finances its working capital.
3. To find the liquidity position of the company.
4. To examine feasibility of present system of managing working capital.
5. To analyse the financial performance of the company with reference to working capital.

VI. SCOPE OF THE STUDY:

A study of the Working capital involves an examination of long term as well as short term sources that a company taps in order to meet its requirements of finance. The scope of the study is confined to the sources that D MART tapped over the years under study i.e. 2017- 2022.The present study of working capital management of D MART analysis the efficiency of working capital management and its components and attempts to determine the effectiveness of management in each segment of the working capital. Since the net concept of the working capital has been taken in use.

VII. RESEARCH METHODOLOGY

Sources of data collection

They are two sources of data collections they are primary source and secondary source.

The method which I have considered for collecting the data for research purpose through Secondary sources.

SECONDARY DATA:

The secondary data for the research was collected from journals, research articles, books and company websites and other websites. The source of secondary data was drawn from the annual reports of the D MART, for the year 2018-2022.

DATA ANALYSIS

The collected data has been processed using the tools of

Ratio analysis Debtor Turnor ratio Current ratio

Quick ratio

Working capital turnover ratio.

The secondary data was collected from company’s annual reports from 2017-18 to 2021-2022 various books and websites.

VIII. LIMITATIONS OF THE STUDY:

1. Working capital management is sowide topic however to cover all these would affect the depth and quality of the study.
2. Some items of the information are not available in the published annual reports for the purpose of analysis.
3. We cannot do comparisons with other companies unless and until we have data of other companies

on the same subject.

4. Analysis is purely based on historical factors and information.
5. Information and data reliability are limited bytime period.

IX. REVIEW OF LITERATURE Article: 1

Title: Working Capital Management In Steel Industry A Comparative Study Of Selected Companies

Author: Jaiswal, Swarnima

Abstract:

newlineWorking capital isconsideredto be the core to the whole system of business operations and involvement of finance therein. It directly influences the liquidity and profitability of a business concern. Therefore, it holds an important place in financial management. Precisely, working capital management refers to the process of planning and controlling the level and mix of current assets and its financing. Thus, efficient and effective working capital management plays an important role in maintaining the financial health of a business by maintaining the solvency, liquidity, profitability and goodwill of a business.

Article: 2

Title: Management of working capital

Authors: Singh, J.P; Pandey, Shishir

Source: ICFAI journals of financial economic. December 2018, volume 6 issue 4, p62- 7211p.5 charts, 1 graph.

Abstract:

For the successful working of any business organization, fixed and current assets play a vital role.Management of working capital is essential as it has a directworking capital components and the impact of working capital management on profitability of Hindalco industries limited. The paper also makes an attempt to study the correlation between liquidity,profitability and profit before tax (PBT) of Hindalco.The study is based on secondary data collected from annual reports of Hindalco for the study period 2002-2017.The ratio analysis, percentage method and coefficient of correlation have been used to analyse the data. Multiple regressions are used to check the significant impact on the profitability of Hindalco.

Article: 3

Title: Working Capital Management

Author: Seth, Himanshu

Guide(s): Chadha, Saurabh and Sharma, Satyendra Kumar Keywords: Economics and Business

Abstract: In today s globalized economy, WCM is of extreme importance, specifically in a capital- and abor-intensive sector, like manufacturing, where the onus is on continual advancement of products and technologies. So, integrating a mix of firm-level as well as macro-economic determinants influencing efficiency would assess the WCM at its best. This would expand the performance dimensions and opportunities for the overall manufacturing sector. Additionally, a better newlinemanagement of working capital adds to the value, profitability, and other opportunities (Sharma newlineand Kumar, 2011).

Article: 4

Title: Working Capital Management In Steel Industry A Comparative Study Of Selected Companies

Author: Jaiswal, Swarnima

Abstract: newlineWorking capital is considered to be the core to the whole system of business operations and involvement of finance therein. It directly influences the liquidity and profitability of a business concern. Therefore, it holds an important place in financial management. Precisely, working capital management refers to the process of planning and controlling the level and mix of current assets and its financing. Thus, efficient and effective working capital management plays an

important role in maintaining the financial health of a business by maintaining the solvency, liquidity, profitability and goodwill of a business.
Pagination:
URI: http://hdl.handle.net/10603/347443
Appears in Departments: Faculty of Commerce
Article: 5
Title: Shorter range or working capital decision making
Authors: Smith Keith V
Sources: Journals of economics and international finance, Vol 5, No.9, Pg 373-379.
Abstract:
It believes that research which concerns shorter range or working capital decision making would appear to have been less productive. The inability of financial managers to plan and control properly the current assets and current liabilities of their respective firms has been the probable cause of business failure in recent years. Current assets collectively represents the single largest investment for many firms, while current liabilities account for major part of total financing in many instances. This paper covers eight distinct approaches to working capital management. The first three aggregate guidelines, constraint set and cost balancing are partial models; two other approaches probability model and portfolio theory, emphasize future 94 uncertainty and interdepencies while remaining three approaches mathematical programming, multiple goals and financial simulation have a wider systematic focus.

X. DATA ANALYSIS AND INTERPRETATIONData Analysis

Table1: SizeofcurrentassetsandliabilitiesandNetworkingcapitalof**DMART**duringtheperiod20 17-18 to2021-22.

Formula: current assets-current liabilities=Net Working Capital (Allamountsarein Cr)

Year	Current assets	Current liabilities	Net W.C
2017-18	2029	1212	817
2018-19	2292	721	1571
2019-20	3960	1071	2889
2020-21	3351	1094	2257
2021-22	5337	1332	4005

Interpretation:

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

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WORKINGCAPITALTURNOVERRATIO

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

(Allamountsarein Cr)

Year	Sales(Income)	Networking Capital	Turnover Ratio
2017-18	4816.17	7997.23	0.60222977
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 are some fluctuations in the ratio. There was a continuous increment from year 2018-2019.

Table3:

The tables hows the Debtors Turnover Ratio of D MART.

Formula: DEBTORS TURNOVER RATIO=Net Credit Sales/Avg Accounts Receivables (All amounts are inCr)

year	Net credit sales(income)	Avg Accounts Receivables	Debtors turnover Ratio
2017-2018	4816.17	40984.92	0.1175108
2018-2019	7028.66	55182.04	0.1273722
2019-2020	9203.2	71939.39	0.1279299
2020-2021	15186.83	72067.91	0.2107294
2021-2022	16748.32	87015.02	0.1924762

Interpretation:

From the above table, it is observed that the **D MART** debtor's turnover ratio shows a good sign. The company noted a maximum ratio of 0.210 in the year 2020-21 and aminimum ratio ofin theyear2017-18 is 0.1175.In the year i.e. 2021-22is0.1924762 which decreased slightly. **Table4:**

QUICKRATIO

Formula: Quick ratio = quickassets /current liabilities (All amounts are in Cr)

Year	Quick Assets	Current Liabilities	Quick Ratio
2017-18	32000.29	23803.06	1.335975

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2018-19	41918.78	29207.75	1.428664
2019-20	52208.19	32664.91	1.596763
2020-21	53987.54	36584.71	1.475685
2021-22	62548.67	58092.20	1.076719

Interpretation:

It is observed that **D MART** is currently rationing an increasing trend the company's liquidity position is satisfactory.

The current ratio in the year2017-18is 1.33. But in 2018-19 it declined because of an increase in current liabilities and then it started to decrease further in 2020-21at1.475.

If the company maintains to increase the ratio it can meet obligations.

Table5:Statement of Changes in Working Capital for 2017-18.

Particulars	**AS on 31-03-2017**	**AS on 31-03-2018**	**Effect on Working capital**	
			Increase	**Decrease**
CURRENT ASSETS				
Inventories	3,728.40	4,213.05	484.65	-
Sundry Debtors	6,397.39	6,433.77	36.38	-

Cash & Bank Bal...	7,473.83	4,516.04	-	2,957.79
Loans and Advances	6,421.70	5,752.73	-	668.97
(A) Total Current Assets	**24,021.32**	**20,915.59**	**521.03**	**3,626.76**
CURRENT LABILITIES				
Current Liabilities	7,444.64	4,099.77	3,344.87	-
Provisions	796.29	830.83	-	34.54
(B) Total Current Liabilities	**8,240.93**	**4,930.60**	**3,344.87**	**34.54**
(A)-(B) Net Working Capital	**15,780.39**	**15,984.99**	**-**	**-**
Net Increase in Working Capital	**204.6**	**-**	**-**	**-**

Interpretation:

Financial statement (Amount in lakh) In the above table, it is seen that during the financial year 2017-2018 there was a net increase in working capital of Rs. 204.6 lakh which indicates that there is an adequate working capital in D-MART.

This is because of :-

- Increase in Current Assets such as Inventories by Rs. 484.65 lakh and other such as Sundry debtors by Rs. 36.38 lakh.
- Decrease in Cash & Bank Balance by Rs. 2,957.79 lakh and other current assets such as Loans and Advances by Rs. 668.97 lakh.
- Decrease in Current Liabilities by Rs. 3,344.87 lakh. Increase in provisions by Rs. 34.54 lakh.

XI. FINDINGS

1. TheD MARTnetworkingcapitalissatisfactorybetweentheyears2017-22sinceit shows an increasing trend till 2020 but after that it is in a declining position in 2021 but it recorded in 2021-2022.
2. The current ratio of D MART is satisfactory during the period of studyfrom2017-18 to202-22.Itincreased but afterthat, except in 2020-2021.
3. The working capital turnover ratio of D mart was low in two years i.e,2018-2019 and2019-2020.
4. The debtor turnover ratio performed well till the year 2020-2021 but it got slightly decline in the year 2021-2022.
5. Thequickratioperformance of D mart from 2017- 2022 was on fluctuation. Where it got increased in 2019-2020 but got decline in 2020-21& 2021-2022.
6. It is seen that during the financial year 2017-2018 there was a net increase in working

capital of Rs. 204.6 lakh which indicates that there is an adequate working capital in D-MART.

7. It is seen that during the financial year 2018-2019 there was a net decrease in working capital of Rs. 920.18 lakh. It indicates that there is an inadequate working capital in D- MART.

8. It is seen that during the financial year 2019-2020 there was a net decrease in working capital of Rs. 2,748.43 lakh. It indicates that there is an inadequate working capital in D- MART.

XII. SUGGESTIONS

1. As per the analysis it is suggested to improve position funds should be utilized properly.
2. Better Awareness to increase sales is suggested.
3. Cost cut-down mechanics can be employed.
4. Better production techniques can be employed.
5. The investment in raw materials should be made as per the requirement. Unnecessary investment may block up the funds.

XII. CONCLUSION

The study on working capital management was conducted in D MART to analyze the financial position of the company. The company’s financial position is analyzed by using the tool of financial statements from 2017-2018 to 2021-2022. Working capital may be regarded as lifeblood of a business. Working capital management techniques are playing significant role in assisting the management for decision making. The study of working capital management at is found to be very effective. It contains the management of Cash, Debtors, and creditors. The financial status of D MART is good. The company’s liquidity position is goodwith regardto the investment in current assets as there are adequate funds invested in it.

XIII. BIBLIOGRAPHYBOOKS:

BOOKS

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