

## **Analysis of Inventory Turnover Ratio and its Impact on Profitability of Enterprises in Indian Retail Industry**

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### **Abstract**

In the retail industry faster cash cycle is a must as it operates on very thin margins, which will get vaporised, posing difficulty to service the working capital debt and hence, higher inventory turnover is preferred. Here, in retail industry, a very precise control on inventory movement is essential for getting higher turnover of inventory to achieve higher sales to avoid the additional borrowing of working capital. This paper presents the analysis of inventory turnover ratios (for 8 years i.e 2012-2019) of nine Indian leading companies in retail industry. This study is done to find out effect of inventory turnover on company's performance and whether inventory related metrics can influence the investing decision in retail company's stocks. Hence, for improving business performance, establishments have major focus to improving inventory turn ratio and achieve growth.

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### **I. Introduction**

THE RETAIL COMPANY requires an effective inventory management to generate more sales to enhance the performance of the business. Hence, for an enterprise a systematic inventory management process in place is a must. The studies on inventory mostly focus on companies in manufacturing sector. This research study attempts to examine the effect of inventory turnover in retail sector in India.

A company showing a low inventory turnover as compared to its competitor, wonders whether inventory turnover has direct impact on company's performance. Hence, this study is undertaken. The low inventory turnover indicates company's inefficiency resulting into poor business performance. This may be due to two reasons, one that it is having too much non-moving or left-out inventory in a warehouse or it is experience inventory storage.

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in the growth of E-commerce platforms it has open Pandora's box for the consumers as they can have the ease of choosing the products without the hassles of physically visiting the stores and shopping. E-Commerce has grown from books to grocery. So, it is becoming difficult for the retail stores to retain customer loyalty which would be questionable in the long run.

#### X. Limitation of Study

1. Only nine companies in Retail Industry, listed on NSE & BSE are covered under this study
2. The research is based on secondary data available in Annual Reports of the companies.
3. Data for limited period of eight years (2012-2019) is used for analysis.

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