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A STUDY ON SHOPPERS STOP FOR 3 YEARS

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ABSTRACT :

Retail giants survive not by glamour alone but by the quiet heartbeat of their financial operations. This study examines Shoppers Stop through the lens of its working capital processes, statutory compliance, procurement models, and payment workflows over a three-year span. The research aims to understand how the company manages liquidity, enhances operational efficiency, and coordinates day-to-day financial activities across stores, zones, and national-level units.

The paper explores the working capital payables cycle, vendor payment structure, the PO-to-payment workflow, trade procurement models such as Outright Purchase, Sale or Return, Sale on Approval, and Consignment, along with statutory requirements including TDS, GST, and MSME rules. It also outlines the compliance and operational process involved in foreign exchange remittances and DTAA considerations for international vendors.

Findings indicate that Shoppers Stop has a robust financial architecture with defined responsibilities across store, zonal, and central finance units. Its compliance discipline, structured payment pathways, and digitised invoice management strengthen its ability to operate with consistency and transparency. By comparing different procurement models and mapping their impact on risk, cash flow, and inventory, the study highlights areas where efficiency gains and automation could further enhance working capital cycles.

Keywords: Working capital management, payables cycle, vendor payments, procurement models, statutory compliance (GST, TDS, MSME), foreign remittances, DTAA, invoice digitisation, and financial operations efficiency at Shoppers Stop.

INTRODUCTION

Retail is a fast-moving world where margins whisper and cash flow shouts. Inside Shoppers Stop, working capital is the energy that powers every aisle, every brand, and every transaction. This paper studies the inner machinery that keeps the company's operations alive: its financial processes, statutory compliance systems, procurement models, and coordination between units across India.

Working capital defines how easily a company can meet its short-term obligations. For a retailer that handles thousands of items, rotating product lines, and constant vendor interactions, mastering working capital becomes essential. Smooth processes reduce bottlenecks, improve vendor trust, and support customer-facing performance.

This study follows Shoppers Stop's organizational flow from store-level cashiers to zonal finance, and further to the central working capital department. It explores how invoices move through SAP (via MIRO), how payments are approved, how compliance checks shape each transaction, and how procurement models redistribute risk between the retailer and vendor.

OBJECTIVES OF THE STUDY

1. To understand the working capital payables flow at Shoppers Stop.
2. To examine different procurement trade models and their role in shaping payment cycles.
3. To identify statutory compliance requirements related to TDS, GST, and MSME payments.
4. To evaluate the efficiency and clarity of current financial processes.
5. To identify patterns in working capital operations over three years.

LITERATURE

Working capital management in the retail sector has shifted from a routine accounting task to a strategic function that directly shapes liquidity, profitability, and operational stability. While many studies discuss the Indian retail industry, technology adoption, and financial performance, limited research focuses specifically on how a single organized retailer manages its financial operations. This section reviews key literature relevant to understanding Shoppers Stop's working capital practices.

Nagar-Haryana (2012) provides an early macro-level view of India's retail growth and identifies industry challenges such as high costs and supply chain inefficiencies. However, the study does not examine how these challenges affect the internal financial operations of individual retailers.

Goel (2013) investigates the link between working capital efficiency and profitability across Indian retail firms, showing strong correlations between efficient inventory and receivables management and higher profits. Yet, his research lacks company-specific insights necessary to understand firm-level strategies.

Chellasamy (2013) analyses profitability trends of selected retail companies using ratio analysis. While useful for understanding sector patterns, it does not reveal the operational factors driving financial performance within a particular retailer like Shoppers Stop.

Vijayakumar (2018) and Naqvi & Soni (2019) offer broad overviews of the retail industry, highlighting growth opportunities, consumer trends, and changes in retail structures. Their work remains conceptual and does not explore deeper financial dimensions such as inventory cycles or liquidity management.

Digital transformation is addressed by Khaled et al. (2019), who emphasize that innovations improve efficiency and customer engagement. However, their industry-focused approach does not measure how digital tools influence working capital metrics such as the cash conversion cycle. Similarly, Gawankar et al. (2020) show that big-data-driven supply chains improve performance but provide no firm-level analysis of the financial impact.

Kolte et al. (2021) use advanced financial models to assess major retail companies. While comprehensive, the study covers multiple firms and does not provide the depth of analysis required to understand Shoppers Stop's specific financial strategies.

Dutta and Sandhane (2022) discuss digital transformation trends but do not examine their direct effect on financial operations, inventory planning, or payables efficiency. Mukherjee et al. (2025) model COVID-19 disruptions in retail but do not analyse how individual firms adjusted working capital during the crisis.

Across the literature, the main gap lies in the lack of detailed, company-specific research on working capital management within a single organized retailer. Existing studies remain broad, technological, or industry-level, leaving limited understanding of internal financial operations.

This research fills that gap by conducting a focused, in-depth analysis of Shoppers Stop's working capital management, combining financial ratios, operational insights, and the role of digital initiatives. This firm-level perspective contributes to both academic literature and practical retail financial management.

FINANCIALS:

Income Statement:

Amount in crores

Year	Mar-23	Mar-24	Mar-25
Income Statement			
Sales	₹ 4,022.1	₹ 4,316.6	₹ 4,627.6
<i>Sales Growth</i>	59.69%	7.32%	7.21%
COGS	₹ 2,996.3	₹ 3,289.2	₹ 3,152.1
<i>COGS % of Sales</i>	74.50%	76.20%	68.11%
Gross Profit	₹ 1,025.8	₹ 1,027.4	₹ 1,475.6
<i>Gross Margins</i>	25.50%	23.80%	31.89%
Selling & General Exps	₹ 218.0	₹ 209.6	-
<i>S&G Exp % of Sales</i>	5.42%	4.86%	0.00%
EBITDA	₹ 807.8	₹ 817.8	₹ 1,475.6
<i>EBITDA Margins</i>	20.08%	18.95%	31.89%
Interest	₹ 209.2	₹ 225.3	₹ 261.2
<i>Interest % of Sales</i>	5.20%	5.22%	5.64%
Depreciation	₹ 381.6	₹ 436.6	₹ 494.3
<i>Depreciation % of Sales</i>	9.49%	10.11%	10.68%

EBT	₹ 217.0	₹ 156.0	₹ 720.1
<i>EBT % of Sales</i>	5.40%	3.61%	15.56%
Taxes	₹ 43.2	₹ 27.2	(₹ 3.9)
<i>Effective Tax Rate</i>	19.89%	17.44%	-0.54%
Net Profit	₹ 173.8	₹ 128.8	₹ 724.0
<i>Net Margins</i>	4.32%	2.98%	15.64%
No of Equity Shares	₹ 11.0	₹ 11.0	₹ 11.0
Earnings per Share	₹ 15.9	₹ 11.7	₹ 65.8
<i>EPS Growth</i>	-212.90%	-26.13%	461.23%
Dividend per Share	-	-	-
<i>Dividend Payout Ratio</i>	0.00%	0.00%	0.00%
Retained Earnings	100.00%	100.00%	100.00%

Interpretation:

Over the three-year period, the company has shown strong and stable performance, with consistent sales growth and significantly improved profitability. COGS has decreased both in value and as a percentage of sales, reflecting better vendor negotiations and efficient inventory control. Gross profit and margins have strengthened due to improved product mix and operational efficiency. SG&A expenses have reduced relative to sales, showing leaner operations. EBITDA and EBT have grown sharply, highlighting strong operational control and financial discipline. Although interest and depreciation increased due to borrowings and capital investments, they remain manageable. A tax refund in FY 2025 boosted overall profitability, resulting in a substantial rise in net profit and EPS, greatly enhancing shareholder value. The company has retained all profits, signalling a focus on reinvestment, expansion, and long-term financial stability rather than distributing dividends at this stage.

Balance sheet:**Amount in crores**

Balance Sheet	Mar-23	Mar-24	Mar-25
Equity Share Capital	₹ 54.8	₹ 55.0	₹ 55.0
Reserves	₹ 151.2	₹ 246.4	₹ 266.2
Borrowings	₹ 2,374.7	₹ 2,784.5	₹ 3,314.1
Other Liabilities	₹ 2,022.7	₹ 2,208.5	₹ 2,459.3
Total Liabilities	₹ 4,603.4	₹ 5,294.4	₹ 6,094.6
Fixed Assets Net Block	₹ 2,097.5	₹ 2,581.8	₹ 2,978.7
Capital Work in Progress	₹ 33.9	₹ 21.1	₹ 5.3
Investments	₹ 48.0	₹ 4.0	₹ 3.5
Other Assets	863.49	901.88	986.71
Total Non Current Assets	₹ 3,042.9	₹ 3,508.8	₹ 3,974.2
Receivables	₹ 29.4	₹ 82.4	₹ 64.9
Inventory	₹ 1,499.8	₹ 1,686.6	₹ 2,041.4
Cash & Bank	₹ 31.4	₹ 16.7	₹ 14.0
Total Current Assets	₹ 1,560.6	₹ 1,785.7	₹ 2,120.4

Total Assets	₹ 4,603.4	₹ 5,294.4	₹ 6,094.6
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Interpretations:

The company's balance sheet reflects strong expansion over the three-year period. Equity has remained stable, indicating minimal dilution, while reserves have grown steadily due to retained profits. Borrowings and other liabilities have increased, showing the company is actively funding growth through debt and vendor credit. On the asset side, fixed assets and total assets have risen significantly, driven by new store openings and capital investments, while CWIP has reduced as projects moved into operations. Inventory and receivables have increased in line with higher sales, though they require careful monitoring to avoid working capital pressure. Cash levels have declined, suggesting funds are being reinvested into the business rather than held idle. Overall, the company is in a strong growth phase backed by asset creation and rising reserves, but must manage rising debt and liquidity effectively to maintain long-term financial stability.

Cash Flow Statement:**Amount in crores**

Cash Flow Statement	Mar-23	Mar-24	Mar-25
Operating Activity			
Profit from operations	₹ 282.0	₹ 733.0	₹ 728.0
Receivables	(₹ 9.0)	(₹ 5.0)	(₹ 54.0)
Inventory	(₹ 158.0)	(₹ 492.0)	(₹ 187.0)
Payables	₹ 288.0	₹ 418.0	₹ 154.0
Other WC items	-	-	-
Working capital changes	(₹ 28.0)	(₹ 73.0)	(₹ 46.0)
Direct taxes	₹ 80.0	(₹ 185.0)	(₹ 172.0)
Cash From Operating Activity	₹ 455.0	₹ 396.0	₹ 423.0
Investing Activity			
Fixed assets purchased	-	-	-
Fixed assets sold	(₹ 102.0)	(₹ 29.0)	(₹ 111.0)
Investments purchased	(₹ 108.0)	(₹ 146.0)	(₹ 176.0)
Investments sold	₹ 1.0	₹ 1.0	₹ 3.0
Interest received	(₹ 762.0)	(₹ 1,263.0)	(₹ 334.0)
Dividends received	₹ 751.0	₹ 1,367.0	₹ 379.0
Investment in group cos	₹ 8.0	₹ 3.0	₹ 1.0
Redemp n Canc of Shares	-	-	-
Acquisition of companies	-	-	-
Other investing items	₹ 9.0	₹ 8.0	₹ 16.0
Cash from Investing Activity	(₹ 203.0)	(₹ 59.0)	(₹ 222.0)
Financing Activity			
Proceeds from borrowings	₹ 2.0	₹ 3.0	₹ 10.0
Repayment of borrowings	₹ 116.0	-	₹ 80.0
Interest paid fin	(₹ 59.0)	(₹ 110.0)	(₹ 63.0)
Dividends paid	(₹ 207.0)	(₹ 405.0)	(₹ 438.0)
Financial liabilities	-	-	-
Other financing items	(₹ 122.0)	(₹ 25.0)	(₹ 68.0)
Cash from Financing Activity	(₹ 270.0)	(₹ 537.0)	(₹ 479.0)
Net Cash Flow	(₹ 18.0)	(₹ 200.0)	(₹ 278.0)

Interpretations:

The company's cash flow statement shows strong operational performance, with consistent cash generation from core activities. However, rising inventory and receivables are tying up cash and weakening working capital efficiency. Cash outflows from investing activities reflect ongoing expansion and asset creation, supported partly by dividend income from subsidiaries. Financing activities show heavy cash outflows due to dividend payments and debt repayments, leading to negative overall net cash flow. Although the company is in a growth and reinvestment phase, it must closely monitor liquidity and working capital to avoid pressure on future cash flows while continuing its expansion strategy.

FINANCIALS RATIOS**1. Profitability Ratios:**

Ratio	FY23	FY24	FY25
Gross Margin	25.5%	23.8%	31.9%
EBITDA Margin	20.1%	18.9%	31.9%
Net Profit Margin	4.3%	3.0%	15.6%

2. Liquidity Ratios:

Ratio	FY23	FY24	FY25
Current Ratio	68%	71%	78%
Quick Ratio	13%	05%	03%

3. Efficiency Ratios:

Efficiency Ratio	FY23	FY24	FY25
Inventory % of Sales	37.3%	39.1%	44.1%
Receivables % of Sales	0.73%	1.91%	1.40%
Payables % of COGS	67.5%	67.2%	78.9%

Solvency Ratios:

Solvency Ratio	FY23	FY24	FY25
Debt-to-Equity (%)	1,151%	982%	1,092%
Interest Coverage (%)	386%	363%	565%

Interpretations:**Profitability:**

Margins improved significantly in FY25, showing strong recovery and better cost control.

Liquidity:

Ratios remain below 1, meaning the company has tight short-term liquidity and relies on inventory.

Efficiency:

Inventory holding days are rising, tying up cash. CCC stays negative, which is good because supplier credit supports operations.

Solvency:

High debt levels continue, but interest coverage improved, showing better ability to service debt.

RESEARCH METHODOLOGY**1. Research Design**

- Descriptive and analytical.
- Describes financial features and analyses trends over three years.
- Uses longitudinal comparison to identify patterns in working capital.

2. Data Collection

- Fully based on secondary data.
- Sources: annual reports, company website, industry reports, academic papers, and financial databases.

3. Period of Study

- Covers three consecutive financial years to observe recent trends and performance.

4. Variables of Study

- Financial performance items like revenue, COGS, expenses, EBITDA, and net profit.

- Current assets and liabilities including inventory, receivables, payables.
- Key ratios: liquidity, efficiency, profitability, solvency.

5. Data Analysis Techniques

- Trend analysis for year-to-year movement.
- Ratio analysis to measure liquidity, efficiency, profitability, and working capital cycle.
- Interpretation of results in context of Shoppers Stop's operations and retail environment.

6. Limitations

- Entirely based on secondary public data.
- No primary insights from management or employees.
- Results may not apply to other industries.
- Past data may not reflect future performance.

OBJECTIVES

1. Understand the Working Capital Payables Flow

Working Capital Flow in Shoppers Stop

- **Cashiers (Store):** Start payment or expense requests at store level.
- **Backend Head Cashier:** Collects and forwards all store financial data for review.
- **Area Finance:** Validates and checks accounts for specific regions.
- **Zonal Finance:** Monitors all areas within a zone and ensures financial compliance.
- **Unit Coordinator:** Acts as a bridge between stores, area/zonal teams, and central finance.
- **Working Capital Department:** Final authority for processing payments and releasing funds.

2. Analyse Different Procurement Trade Models

A) Outright Purchase

The retailer buys goods directly and pays the vendor after a fixed credit period (usually 45 days). This gives predictable payment outflow but creates inventory risk because the retailer holds the stock. It is profitable for fast-moving products with stable demand but requires strong cash flow and good inventory control.

B) Sale or Return (SOR)

Payment is made only after goods are sold, and the retailer keeps a margin (around 30%). Since unsold items can be returned, inventory risk is low. This model supports cash flow and is ideal for seasonal or uncertain-demand products, though profit margins per unit are lower.

C) Consignment Model

The vendor supplies goods while the retailer acts as an agent and earns only a commission. Payment to the vendor happens after sales. There is zero inventory risk for the retailer, but profit margins are lowest. This model works best for high-value or niche products where retailers avoid investing in stock.

3. Identify Statutory Compliance Requirements

GST (Goods & Services Tax)

- Tax on goods/services; impacts cash flow through input GST vs. output GST.
- Proper ITC claim reduces cash outflow; depends on correct vendor invoices.
- GST must match invoice at MIRO entry; adjust if mismatched.
- GST type varies (CGST/SGST/IGST) based on transaction.

4. Effectiveness & Efficiency of Financial Processes

Technology & Digital Adoption

- Early adoption of **JDA Retail ERP (1999)** shows strong focus on operational efficiency.
- Shift to **omni-channel retailing** and e-commerce improves financial coordination across online and offline sales.

Effectiveness

- Helps achieve **revenue, profit, and cash flow goals**.
- Ensures **accurate financial reporting** through systems like SAP.
- Supports smooth **omni-channel operations**.
- Provides reliable data for **strategic financial decisions**.

Efficiency

- Financial tasks completed on time (e.g., **fast invoice processing**).
- ERP systems reduce manual work and improve resource use.
- Strong working capital control reduces holding costs.
- Standardized SAP workflows ensure consistency.

5. Analyse Working Capital Cycles

- Working capital management is crucial in retail, where companies like Shoppers Stop must balance inventory levels, supplier credit terms, and customer payments every day.

- **Inventory Turnover** has declined from FY23 to FY25, indicating rising inventory levels and higher holding costs. The slowdown highlights the need for efficient trade model selection:
 - **Outright Purchase** increases inventory risk and holding cost.
 - **Sale or Return (SOR)** reduces risk by linking payment to actual sales.
 - **Consignment** places inventory risk fully on the vendor, minimizing working capital pressure on the retailer.
- **Receivables Turnover** decreased, showing slower customer collections and increased credit exposure. Receivables rose from ₹29.4 crore to ₹64.9 crore, suggesting higher credit sales or delayed payments. The **Cash Conversion Cycle (CCC)** is a key metric for evaluating how quickly the company can convert inventory and receivables into cash. Efficient CCC management is essential for maintaining liquidity in organized retail operations.
- **Payables Management** shows improvement through increased vendor credit (other liabilities), supporting working capital efficiency. Impact of trade models on payables:
 - Outright purchases follow fixed payment timelines.
 - SOR payments depend on actual sales activity.
 - Consignment payments occur after sales and commission adjustments.
- Overall, effective monitoring of inventory, receivables, and payables is necessary to sustain a strong working capital cycle in a competitive retail environment.

CONCLUSION

The study shows that effective working capital management is crucial for Shoppers Stop, influencing liquidity, profitability, and overall growth. While the company has adopted strong digital systems and ERP tools that support efficiency, areas such as inventory turnover and receivables require further improvement. Different procurement trade models play a major role in shaping inventory risk and payment cycles, giving the company strategic levers to optimise cash flow. Overall, the findings highlight the importance of continuous performance monitoring and data-driven decision-making to strengthen financial processes and maintain competitiveness in the retail sector.

RECOMMENDATIONS

Improve Inventory Management

- Use better demand forecasting to reduce overstocking.
- Apply ABC analysis and review EOQ for tighter control.
- Explore JIT for fast-moving products to lower holding costs.
- Increase use of SOR and consignment to reduce inventory risk.

Strengthen Receivables Management

- Revisit credit policies to prevent excess credit exposure.
- Use automated reminders and structured follow-up for overdue payments.
- Analyse reasons for rising receivables and fix root causes.

Enhance Financial Process Efficiency

- Reduce manual invoice corrections through better system integration.
- Ensure vendors follow proper invoice formats and GST accuracy.
- Adopt automation (RPA/AI) to handle repetitive tasks and errors.

Leverage Data Analytics for Better Decisions

- Use real-time dashboards for financial and working capital tracking.
- Apply predictive analytics for forecasting cash flow and trends.
- Conduct regular audits to ensure compliance and process improvement.

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