

Liquidity Analysis of Selected Infrastructure Companies: A Comparative Study

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ABSTRACT

The present study aims to analysis the liquidity position of the selected infrastructure companies by making use of liquidity ratio such as current ratio and quick ratio for the time spanning from 2011 to 2015. The results shows that among the three selected infrastructure companies, i.e. Reliance infrastructure ltd, IRB infrastructure ltd and Jaypee infrastructure ltd. Liquidity position of IRB is best when current ratio and quick ratio are concerned. So we can say that the liquidity position of IRB is good during the year 2011 to 2015.

Keywords: Current ratio, Quick ratio, Infrastructure companies.

INTRODUCTION

Liquidity refers to have enough funds to meet the long-term and short term obligations. Liquidity refers to the convertibility assets into cash. It means how fast the assets can be change into cash. There are many assets which are easily converted into cash by the bank. Liquidity ratio endeavors to explicate the short term financial position of the company. It helps to assess whether the company is competent to meet its current debt out of current assets. Liquidity ratios include two ratios one is current ratio and second is quick ratio. Liquidity requirement depends on the nature of the firm. To measure the liquidity of a firm, the following ratio is commonly used:

1. **Current Ratio**
2. **Quick ratio**

Current Ratio: This ratio expresses the relation of amount of current assets to the amount of current liabilities. Current assets are twice the current liabilities is taken to represent a good solvency position. The firm has to develop its own ratio from past experience and this only can be taken as a norm.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current liabilities}$$

Quick Ratio: Liquid assets mean those ratios which will yield cash very shortly. The ratio concentrates on cash, marketable securities and receivables in relation to current obligations and thus provides a more penetrating measure of liquidity than does the current ratio.

$$\text{Quick Ratio} = \text{Liquid Assets} / \text{Current liabilities}$$

REVIEW OF LITERATURE

Dr. Miss Kailash P. Damor has done research on “A comparative analysis of profitability trends in co-operative sugar industry of India”, in the year 2002. In her research she has given clear idea about profit and profitability. Profitability is related with two words, Profit and Ability. We discuss the word profit in many senses but the word profit is used as per its purpose, where as the ability shows the capability of earning profit from business. Profitability also shows our capacity of how much return we can give to our investors on their investment.

Ahindra Chakrabati published an articles “Performance of public sector enterprises a Case study on fertilizers” in “The Indian journal of public enterprise” in the year 1988-89. He made analysis of consumption and production of fertilizer by public sector; he also made analysis of profit and loss statement.

He gave suggestion to improve the overall performance of public enterprise.

Rohit and Vipin (2012) investigated on determinants of corporate liquidity in India for a sample of 100 firms in Indian market over period 1999-2008. It was found that size of firm has no impact on liquidity.

Neeraj and Devesh(2013) studied liquidity position and impact on profitability of Tata steel authority of India. The study found that liquidity position can be improved with the help of low average collection period and average collection can be reduce by proper coordination between sale, production and finance department, lastly conclude that study found positive impact of liquidity position on profitability with help of various techniques.

Ashok Kumar (2013) studied liquidity position of five leading companies which cover period of ten years from 2000-2010. It has been found that the liquidity positions of small companies are better as compared to big ones. Lastly, it is concluded that companies should maintain an ideal current and liquid ratio.

Sarvanan and Abarna(2014) concluded study on liquidity analysis of selected automobile companies in India using Anova and found that there is significant difference among the absolute liquid ratios of the selected automobiles companies.

OBJECTIVES OF THE STUDY

To analysis the liquidity position of the selected infrastructure companies.

RESEARCH DESIGN

- **Period of Study:** The present study is limited to a period of 5 years from 2011 to 2015. It is also consider availability of data.
- **Sources of Data:** The study is based on secondary data relating to the study was obtained from the annual reports of the companies, magazines; journals were also referred for finalizing the methodology for the study.

- **Sample of the Study:** To study the liquidity position of Reliance infrastructure ltd, IRB infrastructure ltd and Jaypee infrastructure ltd are using convenient sampling techniques. The researcher have selected only 3 companies irrespective of their size to analysis the liquidity position of companies.

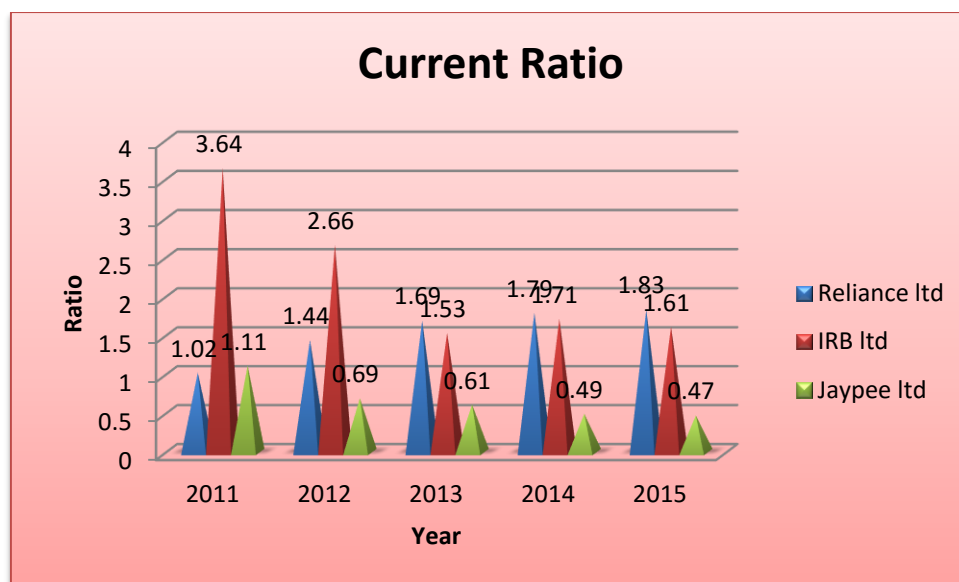
DATA ANALYSIS AND INTERPRETATION

1. Current Ratio

Table -1 given below presents the current ratio of the selected infrastructure companies. I.e. Reliance infrastructure ltd, IRB infrastructure ltd and Jaypee infrastructure ltd for the period 2011 to 2015.

Table-1: Current Ratio

	Year				
	2011	2012	2013	2014	2015
Reliance ltd	1.02	1.04	0.96	0.96	1
IRB ltd	1.3	0.76	0.84	1.21	1.25
Jaypee ltd	1.11	1.73	1.161	1.52	1.28



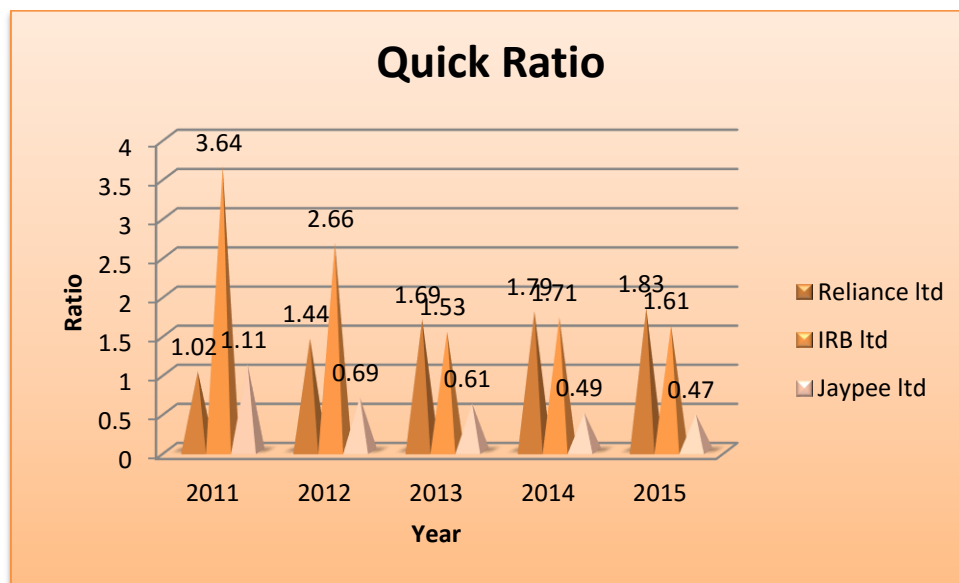
It is observed from the table-1 that liquidity position of jaypee Ltd is higher than other two companies. Thus, we can say that Jaypee infrastructure Ltd is capable to repay its current liabilities from its current assets.

2. Quick Ratio

Table -2 given below presents the quick ratio of the selected infrastructure companies. I.e. Reliance infrastructure ltd, IRB infrastructure ltd and Jaypee infrastructure ltd for the period 2011 to 2015.

Table-1: Quick Ratio

	Year				
	2011	2012	2013	2014	2015
Reliance ltd	1.02	1.44	1.69	1.79	1.83
IRB ltd	3.64	2.66	1.53	1.71	1.61
Jaypee ltd	1.11	0.69	0.61	0.49	0.47



Results of quick ratio shows that liquidity position of IRB Ltd is better than the rest two companies over the time period. When comparing the liquidity position of Reliance Ltd and Jaypee Ltd., we found that Reliance Ltd is performing better than Jaypee Ltd except in 2011.

CONCLUSION

Through the present study researcher conclude that the liquidity ratio of Jaypee Ltd and IRB Ltd is better but, when we see in current ratio jaypee Ltd is better. Like current ratio, in quick ratio there is IRB Ltd is better than other two companies so, other companies need to improve their liquidity position for better performance. We can say that liquidity is concerned to improve the profitability.

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