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## A Study on Liquidity analysis of Uttar Gujarat Vij Company Limited (UGVCL)

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### ABSTRACT:

The present study the researcher's main purpose in the liquidity position of UGVCL Companies. Liquidity means the capability to pay short term obligation of UGVCL companies. This study is based on secondary data .the data collected company annual report and their website. This study has been covering five year period from 2014-15 to2018-19.this study has taken various accounting and statistical tools. Like liquidity ratio, current ratio, etc. The researcher has given concluded that the company's current ratio is not a good performance and the liquidity ratio is a better and good performance of the company. The absolute liquidity ratio is a good performance of the company. The company's liquidity position is good.

**KEYWORDS:** Liquidity Position, current ratio, liquid ratio, quick ratio and UGVCL Company.

### 1. INTRODUCTION:

Liquidity management is an important part of any organization. Liquidity position shows that financial sound strength and weakness. It is to pay a short-term obligation without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations. Quick ratio means quickly convert into cash some short term assets like bond marketable security. It including the current\_ratio, quick\_ratio, Liquid Ratio, and operating\_cash\_flow\_ratio. Liquidity ratio shows the actual true position and at that time networking capital to current assets of any companies.

### 2. COMPANY PROFILE:

Uttar Gujarat Vij Company Limited is part of Gujarat Urja Vikas Nigam Limited. It is one of the launches of the Vij circulation service in India. UGVCL establish under the Companies Act, 1956 on 15 -Sept-2003 by GEB and commencement 15-oct-2003.This company service power transmission32 sub-division and 127 and headquarter at Mehsana. With the vij Sector Reforms initiated by the Central and State Governments, the Company became commercially operational in 1<sup>st</sup>April-2005. The Company is a wholly-owned subsidiary of Gujarat Urja Vikas Nigam Limited. This company is providing all kinds of consumer and sector power supply like Agricultures, industry, commercial sector, residential and other, etc. It is the main aim world's superpower distribution for social and economic development. , the Company operates through a network spread over 50000 sq. Kms covering six full districts in the northern region of Gujarat and three-part districts in the western and central area The operations are managed by more than 7,300 employee. According for FY 2020-21 from Uttar Gujarat Vij Company Limited sources as given Fixed Cost in Rs 12,173 Crore and Variable Cost in Rs 26,105 Crore and GUVNL Cost in Rs 423 Crore 5Total Power Purchase Cost in Rs 45,417 Crore and Total Energy Requirement in MUs 1,05,652 and Power Purchase Cost 4.30 (Rs./kWh).

### 3. IMPORTANCE OF STUDY:

Liquidity plays an important role in the successful transaction of a company. A company should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term compulsions. A study of liquidity is of major importance to both the internal and the external analysts because of its close relationship with the day-to-day operations of a business, Therefore, liquidity should be managed to obtain an optimal level, that is, a level that avoids excess liquidity which may translate to the poverty of ideas by management. Also liquidity level should not fall below the minimum requirement as it will lead to the inability of the organization to meet the short-term obligation.

### 4. REVIEW OF LITERATURE:

Priyanka and Dr. Nimalathasan. B (2013) In which study the main focus liquidity management and profitability position of manufacturing companies in Sri Lanka. the study cover over five years from 2008-2012.this in this study applies Accounting and statistical tools like Accounting ratio and correlation and regression analysis. They have concluded that liquidity management is uncertain .companies have a decrease in liquidity position.

N. M. Baki Billah and Noor Azuddin Yakob and other( 2014) This study the main objective is liquidity Analysis of Selected Public-Listed Companies in Malaysia. This study is based on secondary data and the data has been collected from secondary source company annual report. The period cover from 2010-2012. The research has been applying accounting and statistical tools like current ratio, quick ratio,total assets to total liabilities ratio, and interest coverage ratio. Similarly, cash flow ratios inquiry were–operating cash flow ratio, critical needs cash coverage ratio, cash flow to total debt ratio, and cash interest coverage ratio. This study concluded that The empirical results of the correlation analysis show a statistically significant positive relationship between traditional ratios and cash flow ratios.

Mrs.S.Vimala and Dr. J.P Kumar (2016) this study inquiry main aim liquidity position of a pharmaceutical company. This study is based on secondary data and data collected through the annual report of the company .this study has a cover the period from 2005-2006 to 2014-15. The researcher use Accounting and statistical tools like ratio, and Motaal's comparative test. The researcher has concluded that many companies is negative working capital, no doubt negative working capital show low cost of working capital.

### 5.RESEARCH GAP:

The researcher is all previous research paper and books, magazine studies and observe that most of the liquidity analyses are done in the other sector like Indian steel companies, Manufacturing Companies, Pharmaceutical Companies in India, Public-Listed Companies Non-Financial Entities. But very low research studied were done or run out on the liquidity in the Uttar Gujarat Vij Company Limited. (UGVCL). Most of the researchers were studied in different companies of Uttar Gujarat Vij Company Limited. (UGVCL) and No one has studied liquidity analyses of Uttar Gujarat Vij Company Limited. (UGVCL) particularly the period from 2014-15 to 2018-19.so that researcher undertook this study to liquidity analyses of Uttar Gujarat Vij Company Limited (UGVCL).

### 6. OBJECTIVE OF THE STUDY:

1. To examine the liquidity position of UGVCL Company.

**7.0. RESEARCH METHODOLOGY:** To pursue any kind of research researcher needs to follow the methodology and here in this study researcher will be going to use the methodology are as below.

**7.1 UNIVERSE OF STUDY:** The universe of the study consists of all the vij companies working in Gujarat limited.

**7.2 SAMPLE OF STUDY:** The population of all vij companies in Gujarat but for study selected Uttar Gujarat Vij Company Limited (UGVCL).

- For the period from 2014-15 to 2018-19.

**7.3 SOURCE OF DATA:** The research is based on secondary data and data collected through the company annual reports and its website.

**7.4 HYPOTHESES:** H0: There is no significant difference in the liquidity ratio of Uttar Gujarat Vij Company Limited. (UGVCL).for the period of the Study.

## 8.0 RESEARCH TOOLS:

The following tools are used to interpret data.

### 8.1 RATIO ANALYSES:

- Current Ratio
- Liquid Ratio
- Absolute liquidity Ratio.

### 8.2 Trend Analysis

### 8.3 Mean

## 9.0 Data Analysis and Interpreted

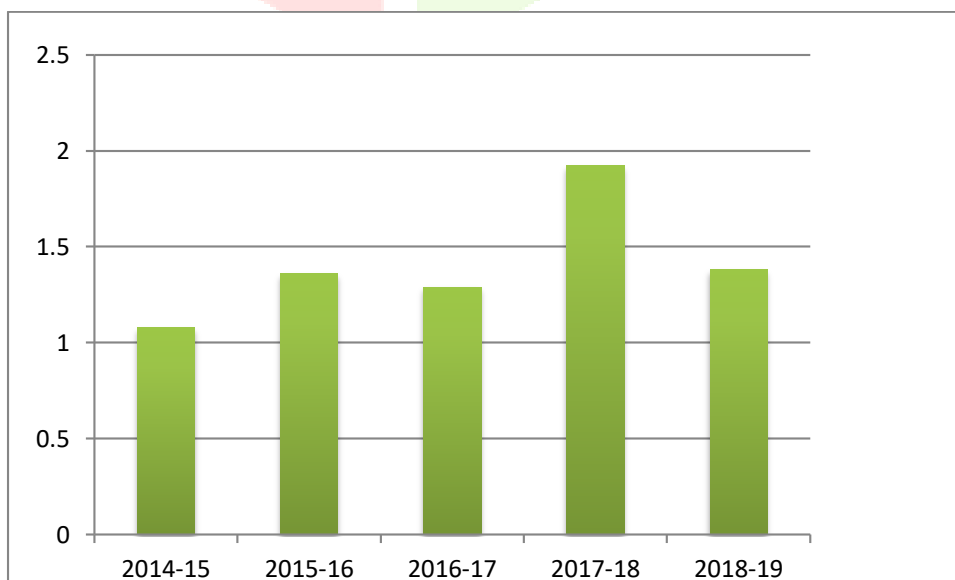
### 9.1 CURRENT RATIO:

This ratio is showing the relationship between Current Assets to Current Liabilities. It is a useful indication of the liquidity of companies. The standard ideal current ratio is 2:1. If this ratio is low to the standard ratio that means the company is not the sound situation to pay short term obligation. This ratio measure 2 is all current assets and 1 is all current liabilities. The higher the ratio better the sound situation of the company. in such a case, the company management must inquiry about the cause and try to bring raise this ratio.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table 1: Showing Value of Current Ratio of Uttar Gujarat Vij Company Limited. (UGVCL)

Year	2014-15	2015-16	2016-17	2017-18	2018-19	Mean
Current ratio	1.08	1.36	1.29	1.92	1.38	1.406



### 9.1.1. INTERPRETATION:

Above table: 1 and Graph, we can show that the highest ratio of 1.92 in 2017-18 and the lowest ratio of 1.08 in 2014-15. During the period the company's current ratio has shown an increasing and decreasing trend. The standard ideal ratio is 2:1. According to above, the table shows that all the year's current ratio is lower than the standard ideal ratio but from the period 2017-18 current ratio is 1.92 is near to standard ideal ratio. The average mean is 1.40. Average mean means all the year current ratio is near to standard ideal ratio.

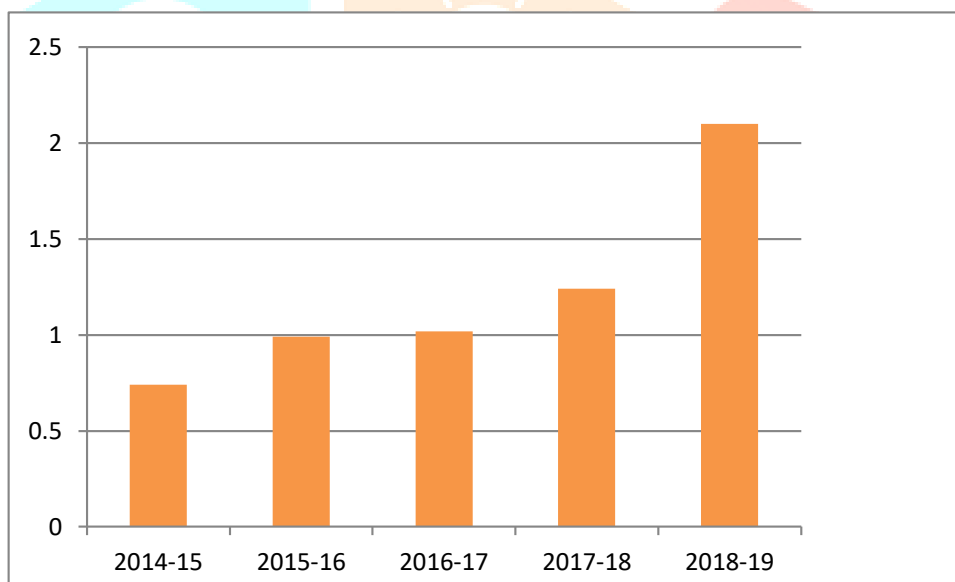
### 9.2. LIQUID RATIO:

This ratio shows the amount of cash is available to meet immediate payment for ascertaining the Liquidity management of the company and shows the true liquid position of the company. In this current assets not include stock –in trade and current liability not include bank overdraft because both items is not immediately convert into cash. Generally, the ratio is computed based on current assets exclude stock –in trade and current liabilities exclude bank overdraft. This ratio indicates a company has what is portion current assets and what is the portion of the current obligation to meet. The higher this ratio, the better will be the liquidity position. This ratio is a lower risk situation for the company.

Liquid Ratio =  $\frac{\text{Current Assets} - (\text{Stock-in-trade} + \text{prepaid Expense})}{\text{current Liability} - \text{bank overdraft}}$

Table 2: Showing Value of Liquid Ratio of Uttar Gujarat Vij Company Limited. (UGVCL)

Year	2014-15	2015-16	2016-17	2017-18	2018-19	Mean
Liquid Ratio	0.74	0.99	1.02	1.24	2.10	1.22



### 9.2.2. INTERPRETATION:

From the above table: 2 and graph the highest Liquid ratio is 2.10 in 2018-19 and the lowest Liquid Ratio 0.74 in 2014-15. This graph shows the increasing trend in all the study. According to above the graph show that the starting two-year liquid ratio is lower and after three-year liquid ratio is higher than the standard ideal ratio. The ideal ratio is 1:1. The average mean of Liquid Ratio is 1.22.

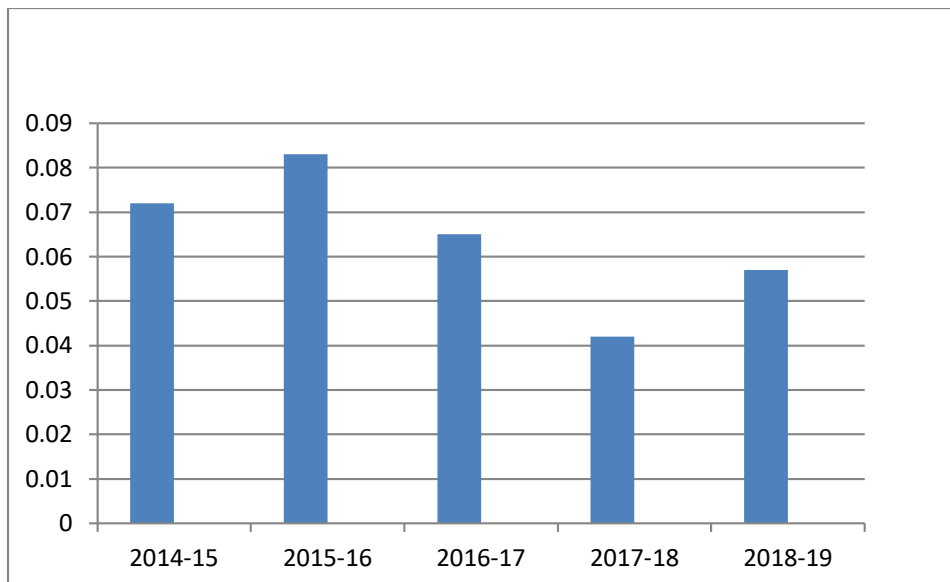
### 9.3. ABSOLUTE LIQUIDITY RATIO:

This ratio measures comparing exacting only cash and cash equivalent. The company has examined at the time company has how much cash is available. This ratio compares only cash balance, bank balance, and short time marketable securities with liquid liability. The ideal standard ratio is 0.5:1. Higher the ratio better company liquidity position. This ratio does not include stock and debtors because both items not quickly convert into cash. The company management tries to this ratio is stable no excess and no lower.

Absolute liquidity ratio =  $\frac{\text{Quick Assets}}{\text{Liquid Liabilities}}$

Table 3: Showing Value of Absolute liquidity Ratio of Uttar Gujarat Vij Company Limited. (UGVCL)

Year	2014-15	2015-16	2016-17	2017-18	2018-19	Mean
Quick Ratio	0.072	0.083	0.065	0.042	0.057	



### 9.3.3 INTERPRETATION:

From the above table 3, the graph shows that in the study period the years' decreasing and increasing trend. In the study period, the highest Quick Ratio is 0.083 in the 2015-16 years and the lowest ratio is 0.042 in 2017-18. The average mean is the quick ratio is 0.063. This ratio shows the company has to keep at the time cash and cash equivalent.

### 10. CONCLUSION :

There is a significant difference between Liquidity Ratios for the duration of the study period. According to all the three ratios calculate i.e. The Liquidity of the selected Uttar Gujarat Vij Company Limited. (UGVCL). The company checks liquidity position and liquidity management. The company calculates though Current Ratio, Liquid Ratio, and Absolute Liquid Ratio.

The Current Ratio is lower to near standard ideal ratio but not increasing trend. The organization management suggesting that the Current ratio is trying to increase in stable to higher in standard ideal ratio but not over standard ideal ratio because over this ratio over the cash outflow and lower this ratio the company is not capable to pay current obligation. The company has kept trying higher and maintaining this ratio for the future.

The Liquid Ratio is very satisfactory to the standard ideal ratio. When the current ratio is not good. The current ratio is very poor than then Liquid ratio. This evidence that indicates the liquid ratio is very better. It is suggesting the company tries to maintain this ratio. This is considered the company is able to pay an immediate payment and good growth and liquidity management

Absolute liquidity ratio is familiar to appreciate the Absolute liquidity ratio of the business but its trend is decreasing of the study period. it is indicated that the cash and cash equivalent means the company has to keep at the time only cash from .the company should try to increase its Absolute liquidity ratio and measures current liabilities against cash and cash equivalent. In this ratio studies that the company should try to low current liability and increase cash and cash equivalent for the future.

### 11. LIMITATIONS:

There were certain limitations in understanding this research work.

- (1) Liquidity analysis of the company is done only for the past five years, due to Time restriction.
- (2) The study is done based on secondary data obtained from the annual reports of the company.

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