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A STUDY ON LIQUIDITY POSITION OF AMARA RAJA BATTERIES LTD

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Abstract: The project report entitled to a study on the Liquidity Position of Amara Raja Batteries Ltd. The term liquidity is the process of identifying the financial strengths of firm by properly establishing relationship between the items of the balance sheet. The chairman of the company is “Ramachandra N Galla”. ARBL is a first company in India, which manufactures values regulated lead acid batteries. The main objective of the company is a manufacturing of good quality of “Sealed Maintenance Free” acid batteries. ARBL is engaged in manufacturing of industrial and automotive batteries. The main objective of the study is to analyze the liquidity position of the company. Charts and tables are used for better understanding. Through ratio analysis, the company could understand the liquidity position of the company. For this study descriptive research design is used. The nature of data collected for the study is secondary data. I arrived at the conclusion that the Liquidity position of Amara Raja Batteries Ltd is good.

Index Terms – Liquidity Position, Financial Strength, Liquidity Ratio.

I. INTRODUCTION

The project undertaken on “Liquidity position” in Amara Raja Batteries Ltd. It describes about how the company manages its liquidity position and the various steps that are required in the management of liquidity performance. Liquidity ratio has become a basic and broad aspect of judging the performance of a company. Liquidity is one of the most important desired goal of an organization. The importance of adequate liquidity in the sense of the ability of a company to meet current or short term obligations when they become due for payment can hardly be over-stressed. Liquidity in general refers to the financial strength of an organization.

II. REVIEW OF LITERATURE

According to **Dr. Tom Mulegi (2017)** Financial ratio analysis is important to the management, Owners, Customers, Suppliers, Competitors and regulatory agencies. Each having their views in applying financial statement Analysis in their evaluations and making judgements about the financial health of organization.

According to **Dr. Myskovia.R. (2017)** In a financial performance, especially financial ratio analysis has become important financial decision support information used by firm, management and other stakeholders to assess financial stability and growth potential.

According to **Dr. Saigeetha.S. (2017)** For financial analysis, ratio analysis is the widely-useful tool. quantitative are numerical relationship between 2 variables is the reference of the firm. ratio. Ratio analysis systematic use of ratio which is used to determine current financial condition of the firm.

According to **Dr. Vijay s patel (2012)** All the tools of financial analysis available with analyst the most important and the most widely useful tool is ratio analysis. simply stated ratio analysis is an analysis of financial statement done with the help of ratios. ratio also provides a bird’s eye view of the financial condition of the company.

According to **Dr.FR.Abiola (2013)** Financial ratio analysis of firms as tools for decision making. Financial analysis Is a specialty in accounting that aimed at formulating a diagnosis and a prognosis related to the station and the financial performance of a company or an organization.

According to **Dr.Kapil khatter (2018)** Financial performance refers to the degree to which financial objective being or has been accomplished. It is the process of measuring the result of a firm policies and operations in monetary terms.

III. OBJECTIVE OF STUDY

PRIMARY OBJECTIVE

To study on the “Liquidity Position of Amara Raja Batteries Ltd”.

SECONDARY OBJECTIVE

1. To find out the current ratio of the company.
2. To analyse the liquid ratio of the company.
3. To study about the cash position ratio of the company.

III.RESEARCH METHODOLOGY

Research Methodology is a systematic way of solving the problem. It includes the overall research design, the sampling procedure, data collection method and analysis procedure. This study used descriptive research. A descriptive research design can use a wide variety of research methods to investigate one or more variables. The nature of data collected for the study is secondary data. The secondary data involves the data obtained from Amara Raja Batteries Ltd. Statistical tool such as liquidity ratio have been used to analyze data. Period of Study: 2016 to 2020.

IV.DATA ANALYSIS AND INTERPRETATION

1. Table 4.1 Current Ratio for the period of 2016-2020(rs in crore)

| YEARS | Current assets | Current liability | Current Ratio |
|-------|----------------|-------------------|---------------|
| 2016 | 1408.08 | 629.36 | 2.24:1 |
| 2017 | 1758.62 | 759.62 | 2.32:1 |
| 2018 | 2152.30 | 992.98 | 2.17:1 |
| 2019 | 2204.07 | 902.47 | 2.44:1 |
| 2020 | 2222.90 | 1101.96 | 2.02:1 |

(Source: Secondary Data)

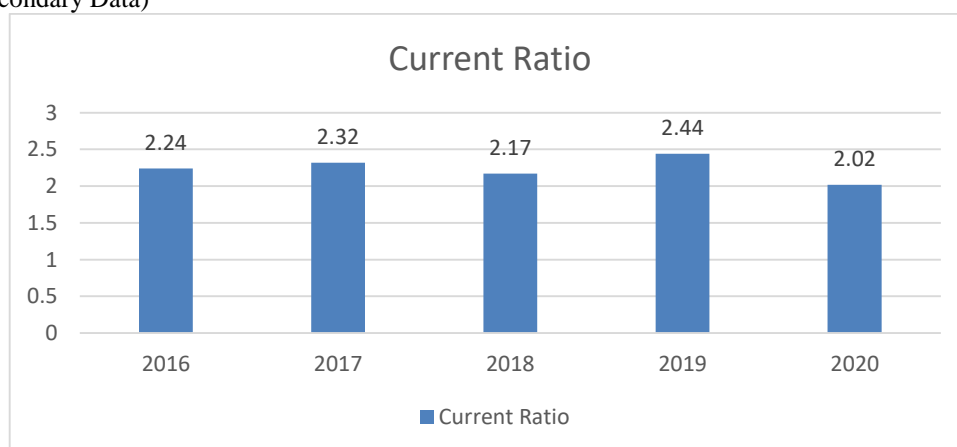


Figure 4.1 Current Ratio for the period of 2016-2020

Interpretation:

The above table shows that Current ratio of the ARBL for the year 2019 is the highest in 2.44. And the lowest in the year 2020 is 2.02. In the year 2016,2017 and 2018 are 2.24,2.32,2.17. The ideal ratio is 2:1. However the ratio is more than the standard norms so it is satisfactory.

2. Table 4.2 Liquid Ratio for the period of 2016-2020(rs in crore)

| YEARS | Liquid asset | Current liability | Liquid Ratio |
|-------|--------------|-------------------|--------------|
| 2016 | 806.43 | 629.36 | 1.28:1 |
| 2017 | 941.67 | 759.62 | 1.24:1 |
| 2018 | 1102.59 | 992.98 | 1.11:1 |
| 2019 | 1142.65 | 902.47 | 1.27:1 |
| 2020 | 1080.21 | 1101.96 | 0.98:1 |

(Source: Secondary Data)

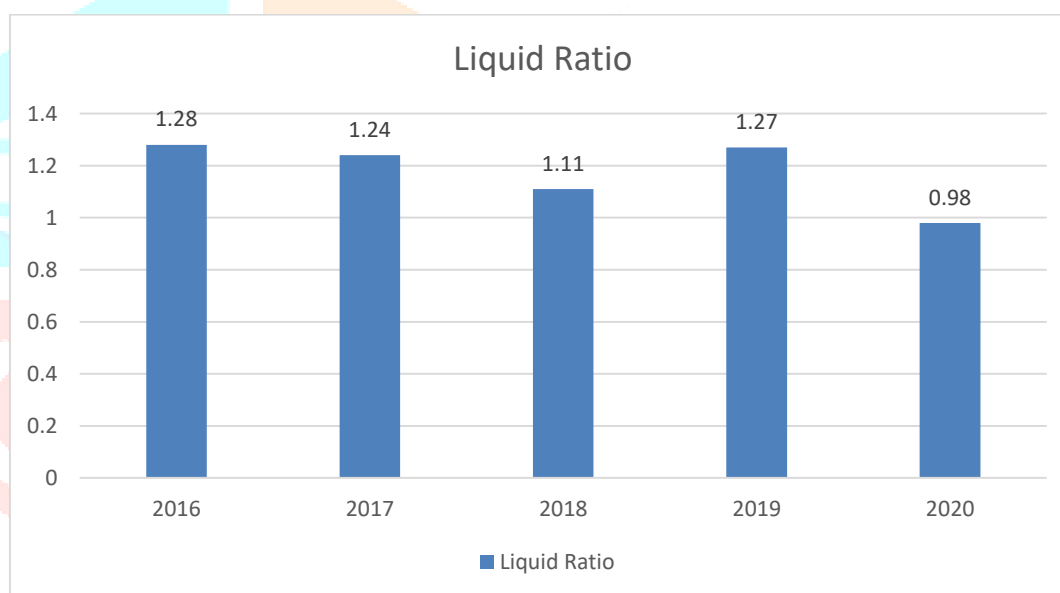


Figure 4.2 Liquid Ratio for the period of 2016-2020

Interpretation

The above table shows that Liquid ratio of the ARBL for the year 2016 is the highest in 1.28. And the lowest in the year 2020 is 0.98. In the year 2017,2018 and 2019 are 1.24,1.11, 1.27. The ideal ratio is 1:1. However the ratio is more than the standard norms so it is satisfactory. Hence the company's liquid position shows the ability to meet its current obligations.

3. Table 4.3 Cash Ratio for the period of 2016-2020(rs in crore)

| YEARS | Cash & Cash Equivalents | Current liability | Cash Ratio |
|-------|-------------------------|-------------------|------------|
| 2016 | 84.51 | 629.36 | 0.13:1 |
| 2017 | 71.75 | 759.62 | 0.09:1 |
| 2018 | 111.28 | 992.98 | 0.11:1 |
| 2019 | 170.92 | 902.47 | 0.19:1 |
| 2020 | 150.26 | 1101.96 | 0.14:1 |

(Source: Secondary Data)

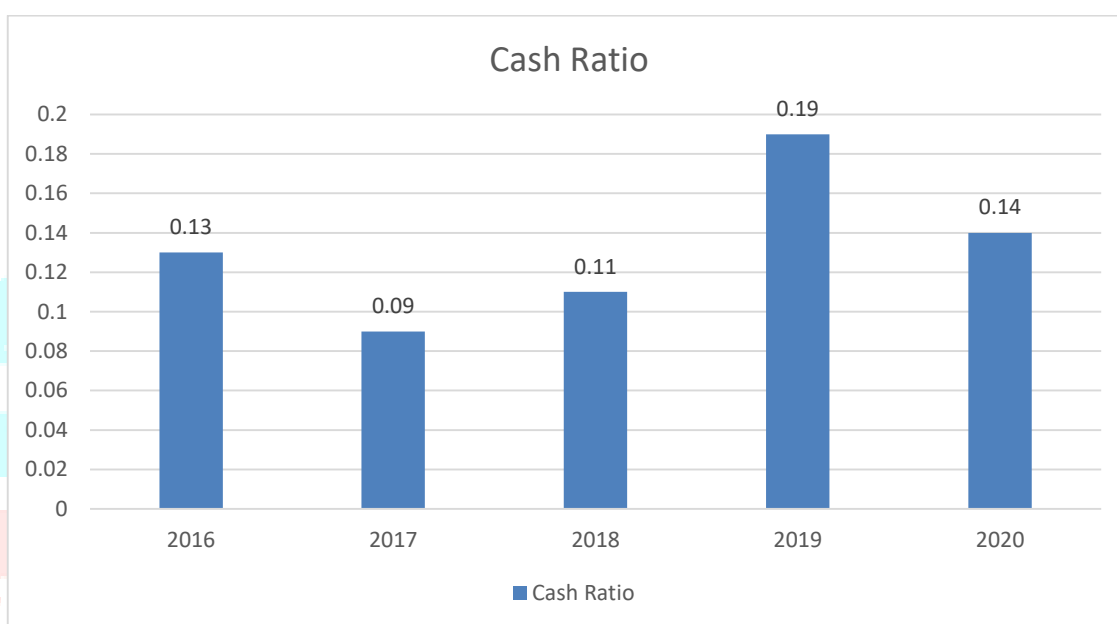


Figure 4.3 Cash Ratio for the period of 2016-2020

Interpretation

The above table shows that cash ratio of the ARBL for the year 2019 is the highest in 0.19. And the lowest in the year 2017 is 0.09. In the year 2016, 2018 and 2020 are 0.13, 0.11, 0.14. The ideal ratio is 0.5:1. Hence the company maintains a low level of cash ratio.

VII. FINDINGS, SUGGESTIONS, CONCLUSION

FINDINGS AND SYGESTIONS

1. The above table shows that Current ratio of the ARBL for the year 2019 is the highest in 2.44. And the lowest in the year 2020 is 2.02. In the year 2016, 2017 and 2018 are 2.24, 2.32, 2.17.
2. The Liquid ratio of the ARBL for the year 2016 is the highest in 1.28. And the lowest in the year 2020 is 0.98. In the year 2017, 2018 and 2019 are 1.24, 1.11, 1.27.
3. The cash ratio of the ARBL for the year 2019 is the highest in 0.19. And the lowest in the year 2017 is 0.09. In the year 2016, 2018 and 2020 are 0.13, 0.11, 0.14.
4. The company should give more attention to cash position.

CONCLUSION

From the study and analysis of liquidity position of Amara Raja Batteries Ltd. The information provided for 5 years. As a financial aspect it is a successful company by earning more revenues. The part of analysis based upon the liquidity ratio calculation. Thus the liquidity ratio analysis of the company is satisfactory. The background of the company is strong enough to resist the imbalances of the markets as well as the economy. The past five years' liquidity position of the company in general is satisfactory. It could be concluded that the company has been performing well.

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