

LIQUIDITY TRENDS IN STEEL AUTHORITY OF INDIA LIMITED (SAIL) : A STUDY

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Abstract

Liquidity refers to the competency of a business concern to meet its short term obligations as and when they turn out to be due. Deficiency in liquidity results in bad credit ratings, and finally it may result in the shutting down of the company. At the same time a high degree of liquidity is also bad, as because idle assets earn nothing. The principal objective of the present paper is to conduct a study the overall efficiency of the management of working capital with special reference to short term liquidity. Keeping this in view, a study of liquidity trend analysis of the Steel Authority of India Limited (SAIL) is carried out in the present work.

Keywords: Liquidity Management, Working Capital Components, SAIL, Trend Analysis, Privatization.

Introduction

Steel is the backbone of economic growth in any industrial country. A thick relationship has been found between the level of economic growth and the quantum of steel consumption in both developed as well as developing countries. Since privatization, to ensure swift economic development it was deemed that a sound steel production on a complex basis must be formulated. Accordingly, the private sector has set up many integrated steel plants and improved the existing plants to increase their current production capacity. The per capita steel consumption in India is about 30 kg, which is very low compared to the other country like China whose per capita consumption has already exceeded 180 kg whereas world average per capita consumption is over 400 kg in the developed countries. In accounting, trend is generally computed trend ratios or by trend percentages. Trend ratios are the basic tool for trend analysis of an enterprise. In changed economic environment, improper management of working capital in terms of liquidity, solvency, operating efficiency and profitability is liable for inadequate financial performances. According to the industry experts' current available resource and production capacity of steel is under utilized as verified by per capita consumption.

General Objective

In the present study, an effort has been made to examine and evaluate the management of Short term liquidity trends of the steel company SAIL as a factor accountable for poor performance in the steel Industry in India.

• Specific Goals

- To observe the liquidity position and area of weaknesses, if any, of the SAIL under the study;
- To examine the trends of working capital as well as test of competency of the working capital;
- To make some suggestions and specific recommendations for improvement of the liquidity management of SAIL.

Methodology of the Study

One public sector steel company operating in India i.e. SAIL is been selected in the present study. The study relates to a period starting from 2001-02 and ending 2015-16. The study is based on the secondary data obtained from the balance sheet and profit & loss accounts and also the annual reports of

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