A PROJECT REPORT ON

"A STUDY ON LIQUIDITY ANALYSIS OF SELECTED AUTOMOBILE COMPANIES IN INDIA"

Submitted To

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Master of Commerce

Submitted by

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Certificate

This is to Certify that the Project work Titled **"A study On Liquidity analysis of Selected Automobile Companies in India"** is an original record of field works done by **Ms. Nazneen Nisar Ahmed Bankapur** with Registration No.**19C011048** in a partial fulfillment of the award of degree of **Master of Commerce** of the **Karnatak University, Dharwad** during 2020-21. The project satisfies the academic requirements in respect of project work prescribed for the Degree of **Master of Commerce** and is a record of her own independent work.

This project is based on the studies carried out by her and has not been submitted to any other University or Institution for the award of any degree or diploma.

13/09/2021

Project Guide

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1.0 INTRODUCTION:

The term 'Liquidity' refers to the ability of a firm to meet its obligations in the short run usually one year. The Liquidity resources of a firm may be kept in various forms: cash in hand and cash at bank in current assets, reserve drawing power under a cash credit or overdraft arrangement and short-term deposits. Cash balances in current account provide the highest degree of liquidity. The liquidity is to measure firm's ability to meet expected and unexpected cash requirements, expand its assets, reduce its liabilities or cover any operating losses.

Liquidity analysis is one of the most important contents in enterprise's financial analysis. Liquidity position is commonly measured by financial ratios that are conventional ratios (based on balance sheet and income statement) and cash flow ratios. To examine whether there is a difference between traditional ratios and cash flow-based ratios as to measure the liquidity of a company.

Lquidity ratios are used to determine a company's ability to meet its shortterm debt obligation s. Investors often take a close look at liquidity ratios when performing fundamental analysis o n a firm. Since a company that is consistently having trouble meeting its shortterm debt is at a higher risk of bankruptcy, liquidity Ratios are a good measure of whether a company will be able to comfortably continue as a going concern.

The liquidity is a vital factor in business operations. For the very survival of business, the fir m should have requisite degree of liquidity. It should be neither excessive nor inadequate. Ex cessive liquidity means accumulation of ideal funds. Which may lead to lower profitability, in crease speculation, and unjustified extension, extension of liberal credit terms, liberal dividen d policy etc; whereas inadequate liquidity result in interruptions of business operations. A pro per balance between these two extreme situations therefore should be maintained for efficient operation of business through skill full liquidity management.

Liquidity ratios examine whether a business has enough money to pay the money it owes. Liquidity ratios are important because they show you whether a business will be able to pay off its short-term debt. They focus on short term debt (current liabilities) because liquidity is about daily income and expenses. A profitable business will not survive very long if it cannot pay its daily expenses.

Holding liquidity position in a firm is indispensable for a firm. Liquidity ratio endeavours 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. Therefore, liquidity ratios are also known as short term solvency ratios. But no indication of effectiveness of management of cash resources can be revealed from these ratios. The liquidity ratios are a result of dividing cash and other liquid assets by the short-term borrowings and current liabilities. Liquidity ratios include two ratios one is current ratio and second is quick ratio or acid test ratio. Short term creditors of the firm are primarily interested in the liquidity r.

5.2 Suggestion:

- On the basis of the finding the following suggestive measures were provided to the industries
- As to meet the current ratio the industries have to increases the current assets to meet current liabilities
- To mention the liquid ratio importance should be given to secure quickly releasable assets to meet its short-term liabilities
- In case of achieving at least breakeven point sales where the situation is no profit no loss there is no chance of net loss and the net worth can be maintain at some level for the coming years. And industry can on use profit in case of boom in the industries
- The company should provide skilled and experienced the employees in permanent basis.
- To attain an optimum liquidity, position the company may apportion certain amount of funds on current assets and the company may revise its credit policy to settle current liabilities

5.3 Conclusion:

The study on the liquidity analysis on automobile industry reveals that firm has long term goals as it utilising its fixed assets in efficient manner. The study has been highlighted the liquidity position of automobile sector. Although the present Study Conclude that the liquidity ratios concerned the performance of Mahindra & Mahindra ltd is better than Maruti Suzuki ltd are to improve their liquidity and turnover for the better performance.
By study of liquidity analysis of automobile industry had got the knowledge of overall organisation operational Status and liquidity analysis in the background of automobile industries in recent years satisfactory.
To analyse and interpret financial performance to the automobile industry the liquidity analysis is the most effective quantitative technique. This assists the firm in the financial structuring of the organisation and also help efficient management and decision-making process.
So, this is the right time to revise their policies to overcome the decrease in returns. It is better to change the strategies on sales and in managing cost of the company