M. Krishnamoorthi (2016) Int. J. Soc. Sc. Manage. Vol. 3, Issue-3: 193-202
DOI: 10.3126/ijssm.v3i3.15260

ISSN: 2091-2986
DOI Prefix: 10.3126/ijssm

International Journal of Social Sciences and Management

Research Article

LIQUIDITY PERFORMANCE EVALUATION OF SELECT STEEL COMPANIES IN INDIA - DESCRIPTIVE STUDY

M. Krishnamoorthi

Department of Management Studies, Priyadarshinii Engineering College, Vaniyambadi, India

Email: mkrizhnaa@yahoo.co.in, Mobile No. 9943554294

Abstract

To satisfy the daily needs of an industrial unit, management should think seriously about Liquidity. Working Capital is such of capital that with the help of which a business remains in working condition. It remains live for any business units, Working Capital can be said to be its life. The role of working capital in business is akin to that o heart in the human body. Funds are the life blood of business body. Just as the hart circulates the blood to various organs of body, funds are rotated to various business activities through proper working capital management and any obstruction in the smooth rotation of funds, may causes serious problem in business operations. The generating of income from assets is a very good position in the majority of large and mid-cap companies, but VISA and KALYANI fail to increase its return on assets due to inefficient and ineffective uses of assets, so these companies should take necessary step to increase income by effective utilization of assets.

Keywords: Liquididty; Working Capital; Current Assets; Current Liability; Cash; operation

Introduction

To satisfy the daily needs of an industrial unit, management should think seriously about Working Capital. Working Capital is such of capital that with the help of which a business remains in working condition. It remains live for any business units, Working Capital can be said to be its life. If there is any error in the estimation of Working Capital there will be risk on production continuity in an industrial unit. It will be difficult to launch a product in time and as a result a company would have to lose the market. On the other hand a company will not be able to make payment to workers and trades in time. Dissatisfaction of workers will increase which will create legal problems for management. Working Capital is also known as Circulating capital or Floating capital. Working Capital constitutes as large portion of total investment in assets. It is estimated, that about 60% of total net assets of the public sector companies in India is in the form of C.A. (Rao, 2010). This underlines the importance of Working Capital management.

Working Capital management is more important for the all firm. In the all unit investment in such C.A. as cash, inventories and receivables tends to be larger than investment in fixed assets. It is more difficult for is small units to raise enough long term capital for the C.A. Working Capital management has acquired important position and great significance in the recent past. It is reflected by the fact that financial manager spend a great deal of time in managing C.A. and current liabilities. Arranging short term financing, negotiating favorable credit terms, controlling the movement of cash, administering accounts receivables and monitoring the investment in inventories consume a great of their time. “It has been found that the largest portion of financial manager’s time is utilized in the management of Working Capital.

Weston and Brigham have rightly stated that, “There are many aspects of Working Capital management which make it an important function of the financial manager. On the one hand it maintains proper liquidity while on the other hands it helps in increasing the profitability to the concern. Inadequacy or mismanagement of Working Capital is the leading cause of business failure. The Working Capital of a firm is the lifeblood which flows through the veins and arteries of the structure. Working Capital engages every part of the structure, gives courage and moral strength to management and personnel, digests to the best degree the raw material used by its constant and regular flow and return to the cash flow for another journey and so when Working Capital is lacking or slows down, the financial bodies have value just as much as junk.

The role of working capital in business is akin to that o heart in the human body. Funds are the life blood of business body. Just as the hart circulates the blood to various organs

of body, funds are rotated to various business activities through proper working capital management and any obstruction in the smooth rotation of funds, may causes serious problem in business operations. Funds may be generated from issue of shares long term and short term borrowings and ploughing back of the earning of business and may be utilized to pay for purchase of raw material wages and overheads est. specialty of utilization of funds is that they are of recurring nature, so efficient working capital management requires a proper balance of generation and circulation of these funds without which either scarcity of funds will cause obstruction in the smooth functioning the organization or excess funds will prevent the organization from conducting its business efficiently (Marc Deloof, 2003).

Statement of the problem

liquidity Management is concerned with the problems that arise while the finance manager attempts to manage the current assets, the current , liabilities ,as well as the interrelationship that exist between them**.** Because of its importance in corporate sector it has been considered the life blood and controlling nerve centre of business, and also looked upon as the driving foe behind a finance manager. **A** firm requires both fixed and current assets; the effective utilization of the fixed assets, owever depends upon the amount and usage of the current assets the present study makes attempt to evaluation of liquidity performance of select steel companies in India

Objectives of Study

To evaluate the liquidity performance of select steel companies in India

Review of literature

Raheman (2007) investigated that there is a strong negative relationship between the variables of the working capital and profitability of the firm. It means that the cash conversion cycle, increase will lead to decrease profitability of the firm, and manager can create a positive value for the shareholders by reducing the cash conversion cycle to a possible minimum level, and found that there is a significant negative relationship between liquidity and profitability

Rao (2010) investigated the relationship between the net trade cycles as a measure of working CapitaLand return on investment in US firms. The results of the study indicated a negative relationship between the duration of net trade cycle and return on assets (ROA). A significance relationship for about half of the industries studies indicated that results might vary from industry to industry.

Shin and Soenen (1998) studied about the short term and long term solvency position of the company will lead to company's profitability. Further the strength of working capital management also leads to participation of corporate profitability. They found that there is a strong negative relation between the cash conversion cycle and corporate profitability.

Samiloglu and Demirgunes (2008) examined the effect of working capital management on firm profitability about companies listed at the Istanbul Stock exchange (ISE). Using the multiple regression models, the study examined the effect of working capital on firm profitability for the period of 1998–2007. The findings of the study show that accounts receivables period, inventory period and leverage affect firm profitability negatively; while growth (in sales) affects firm profitability positively.

Samiloglu and Demirgunes (2008) studied about the profit earned by firms was a major contribution to the profitability and its impact of various predictors variable such as liquidity, capital intensity, growth, volatility on profitability, when income earned was controlled. It was found that the firms, with varying income level, were influenced by different determinants in deciding their profitability.

Sasikala (2012) investigated that there is no relationship between liquidity and profitability, risk and profitability and concluded that the excessive liquidity may lead to lower profitability. So, the negative association between liquidity and profitability must control with effective liquidity management.

Bagchi *et al.* (2012) investigated the effect of working capital management on firm's profitability as measured by return on total assets and return on investment using a sample of Indian FMCG companies found a strong negative relationship between the measures of working capital management with corporate profitability using fixed effect model. Hence, the findings of the study highlight the importance of proficient working capital management to ensure an improvement in firm's profitability and this aspect must form part of the company's strategic and operational thinking in order to operate effectively and efficiently in India's new challenging economic environment.

Research Design

The research design describes the theoretical plan and structure of the study to find answers to the research problem. It constitutes the outline for data collection, sampling techniques and framework for analysis of data. The present study is both descriptive and analytical nature.

Data Collection

The present study purely based on the secondary data only. The related data, suchas profit and loss account statement, balance sheet and some important key ratios were collected from the published annual reports of selected steel companies in India. Other related information was collected from the Centre for Monitoring Indian Economy (CMIE) Reports, official website of selected steel companies,

NSE,BSE, annual report of the ministry of steel, Institute of Financial Management and Research (IFMR), Libraries of various institutions, research publications and various academic research reports. Further the researcher referred various finance related textbooks and journals.

Sampling

In order to analyse the liquidity performance of steel companies, the details of 72 companies were collected. From this, the steel companies which satisfied the following criteria which have been shortlisted for further research:

1. The companies listed in NSE and BSE.
2. Availability of data at least for the period of 10 years.
3. The company should have at least three years of continues profit during the study period.
4. The companies declared and paid dividend for a minimum of three years during the study period.
5. The selected steel companies have been classified as large and mid cap companies based on market capitalisation.

The companies' stocks with market capitalisation of Rs. 10,000 crore or more are large cap companies and which are listed below:

Large cap Companies

i. Tata Steel Limited
ii. Steel Authority of India Limited (SAIL)
iii. JSW Steel Limited
iv. Visa Steel Limited

The companies' stocks with market capitalisation between Rs. 2,000 crore to Rs.10,000 crore are mid cap companiesand which are listed below:

Mid Cap Companies

i. Bhushan Steel Limited
ii. Jindal Steel and Power Limited (JSPL)
iii. Kalyani Steels Limited

Framework for Analysis

The various statistical tools are used to analyse liquidity performance of the selected steel companies in India.The study of financial statement such as profit and loss accounts and balance sheets through, solvency ratios, constitutes in the framework of analysis. The frame work of analysis contains data analysis by using of SPSS package with applications of ratio analysis and statistical tools such as Mean, Standard Deviation (SD), Coefficient of Variation (CV).

Tools for Analysis

Ratio Analysis

Ratio analysis is an important traditional tool for analysis of financial statement of the company. It assists to understand the financial strength and weakness of companies in the aspects of liquidity, profitability and operational efficiency undertaking. The ratio analysis is used in the present study, to measure and compare the financial efficiency of selected steel companies in India.

Mean

The mean is used to get one single value that represents the characteristics of the entire data. It is the central tendency measure representing the arithmetic average of a set of observations.

Standard Deviation

Standard deviation is the positive square root of variance which measures of dispersion in the same units as the original data. Lower standard deviation leads to lower dispersion and higher standard deviation leads to greater dispersion.

Coefficient of Variation

The coefficient variation is a relative measure in consistency. The greater coefficient variation shows conversely lower consistency or more variable and less coefficient show more consistency.

Analysis and Interpretation

Current Ratio

Large scale Companies

The Current Ratio (%) of *TATA* during the year 2004 was 0.66 percent. It increased to 1.69 percent in 2007; *SAIL* during the year 2004 was 0.7 percent. It increased to 1.68 percent in 2008; *JSW* during the year 2004 was 0.65 percent. It increased to 0.88 percent in 2013; *VISA* during the year 2004 was 3.72 percent. It continuously decreases for further years.

The average Current Ratio of large scale companies stood for TATA 1.29, for SAIL 1.29, for JSW 0.66 and VISA 1.16 percents, with the co-efficient of variation of 0.66, is 24.35, 19.66 and 86.08 percents respectively. By comparing the coefficient of variation more variation in the Current Ratio is observed in TATA and consistency was observed in SAIL company.

Medium scale companies

The Current Ratio (%) of ***BUSHAN*** Company during the year 2004 was 0.79 percent. It increased to 1.23 percent in 2010 ***JINDAL*** during the year 2004 was 0.9 percent. It increased to 1.25 percent in 2008 ***KALYANI*** Company during the year 2004 was 1.32 percent. It increased to 1.52 percent in 2006

The average The Current Ratio of medium scale companies stood for BHUSHAN 0.86, for JINDAL 0.86 and KALYANI 1.14 percents with the co-efficient of variation of 22.14, is 23.38, and 21.88 percents respectively. By comparing the coefficient of variation more variation in the

Current Ratio is observed in JINDAL and consistency was observed in BUSHAN Company (Table 1)

Debt Equity Ratio

Large Scale Companies

The Debt Equity Ratio (%) of **TATA** Company during the year 2004 was 0.75. It increased to 1.34 in 2009; ***SAIL*** during the year 2004 was 1.72. It continuously decreases for further years; ***JSW*** during the year 2004 was 4.15. It continuously decreases for further years VISA during the year 2004 was 4.15. It continuously decreases

The average Debt Equity Ratio of large scale companies stood for TATA .0.67, for SAIL 0.52, for JSW 1.36 and VISA 1.33 percents, with the co-efficient of variation of 49.24, is 85.25, 74.89 and 3.99 percents respectively, By comparing the coefficient of variation more variation in the Debt Equity Ratio is observed in SAIL and consistency was observed in TATA company

Medium Scale Companies

The Debt Equity Ratio (%) of ***BUSHAN*** Company during the year 2004 was 1.58. It increased to 3.98 in 2009; ***JINDAL*** during the year 2004 was 1.2. It increased to 1.58 in 2013; ***KALYANI*** Company during the year 2004 was 0.65. It continuously decreases

The average The Debt Equity Ratio of medium scale companies stood for BHUSHAN 2.73, for JINDAL 1.27 and KALYANI 0.52 percents with the co-efficient of variation of 26.44, is 16.03, and 34.30 percents respectively. By comparing the coefficient of variation more variation in the Debt Equity Ratio is observed in KALYANI and consistency was observed in JINDAL Company (Table 2).

Quick Ratio

Large Scale Companies

The Quick Ratio (%) of TATA Company during the year 2004 was 0.39 It increased to 3.52 in 2008, SAIL during the year 2004 was 0.57. It increased to 1.53 in 2010; *JSW* during the year 2004 was 0.8. It increased to 0.59 in 2006; VISA during the year 2004 was 1.39. It increased to 1.45 in 2006.

The average Current Ratio of large scale companies stood for TATA 0.99, for SAIL 0.99, for JSW 0.50 and VISA 0.70 percents, with the co-efficient of variation of 97.98, is 32.87, 35.44 and 71.49 percents respectively. By comparing the coefficient of variation more variation in the Quick Ratio is observed in TATA and consistency was observed in SAIL.

Medium Scale Companies

The Quick Ratio (%) of ***BUSHAN*** Company during the year 2004 was 1.1 It increased to 1.07 in 2007, ***JINDAL*** during the year 2004 was 0.84. It increased to 1.1 in 2008; ***KALYANI*** during the year 2004 was 0.92 It increased to 1.35 in 2012,

The average The Current Ratio of medium scale companies stood for BHUSHAN 0.96 for JINDAL 29.88 and KALYANI 1.12 percents with the co-efficient of variation of 15.68, is 18.06, and 12.24 percents respectively. By comparing the coefficient of variation more variation in the Quick Ratio is observed in JINDAL and consistency was observed in KALYANI Company (Table 3)

Interest Coverage Ratio

Large scale Companies

The Interest Coverage Ratio (%) of *TATA* Company during the year 2004 was 13.27 It increased to 26.19 in 2007, *SAIL* during the year 2004 was 3.73 It increased to 48.48 in 2008, *JSW* during the year 2004 was 1.73. It increased to 6.13 in 2008; *VISA* during the year 2004 was 30.67. It continuously decreases for further years.

The average the Interest Coverage Ratio of large scale companies stood for TATA 13.14, for SAIL 21.13, for JSW 3.90 and VISA 5.83 percent, with the co-efficient of variation of 78.23, is 70.58, 34.76 and 155.70 percent respectively, By comparing the coefficient of variation more variation in the Interest Coverage Ratio is observed in VISA and consistency was observed in JSW company

Medium Scale Companies

The Interest Coverage Ratio (%) of ***BUSHAN*** Company during the year 2004 was 2.69. It increased to 11.35 in 2009; ***JINDAL*** during the year 2004 was 7.37. It increased to 11.35 in 2005, ***KALYANI*** during the year 2004 it was 2.48. It increased to 22.24 in 2006.

The average Interest Coverage Ratio of medium scale companies stood for BHUSHAN 6.77, for JINDAL 8.19 and KALYANI 6.24 percents with the co-efficient of variation of 66.95, 27.89, and 101.11 percents respectively. By comparing the coefficient of variation more variation in the Interest Coverage Ratio is observed in KALYANI and consistency was observed in JINDAL Company (Table 4)

Financial Charges Coverage Ratio

Large Scale Companies

The Financial Charges Coverage Ratio (%) of *TATA* during the year 2004 was. 15.98. It increased to. 36.46 in 2006, *SAIL* during the year 2004 was 5.1. It increased to. 44.31 in 2009, *JSW* during the year 2004 was. 2.57. It increased to 7.16 in 2008, *VISA* during the year 2004 was. 33. It continuously increases

The average Financial Charges Coverage Ratio of large scale companies stood for TATA 14.90, for SAIL 4.91, for JSW 4.91 and VISA 5.37 percents, with the co-efficient of variation of 78.37, 29.03, 29.03 and 182.58 percents respectively, By comparing the coefficient of variation more variation in the Financial Charges Coverage Ratio is observed in VISA and consistency was observed in JSW company (Table 5).

Table 1: Current Ratio

Year	Large Scale Companies								Medium scale Companies					
	TATA	**% Inc/Dec**	**SAIL**	**% Inc/Dec**	**JSW**	**% Inc/Dec**	**VISA**	**% Inc/Dec**	**BHUSHAN**	**% Inc/Dec**	**JSPL**	**% Inc/Dec**	**KALYANI**	**% Inc/Dec**
2004	0.66		0.7		0.65		3.72		0.79		0.9		1.32	
2005	0.69	4.55	1.13	61.43	0.67	3.08	1.22	-67.2	0.7	-11.39	1.09	21.11	1.12	-15.15
2006	0.71	2.9	1.17	3.54	0.68	1.49	1.55	27.05	0.83	18.57	0.83	-23.85	1.52	35.71
2007	1.69	138.03	1.52	29.91	0.64	-5.88	1.43	-7.74	0.81	-2.41	0.68	-18.07	1.3	-14.47
2008	3.81	125.44	1.68	10.53	0.51	-20.31	1.04	-27.27	0.76	-6.17	1.25	83.82	0.76	-41.54
2009	0.91	-76.12	1.61	-4.17	0.44	-13.73	0.71	-31.73	1.06	39.47	1.04	-16.8	0.89	17.11
2010	1.12	23.08	1.6	-0.62	0.58	31.82	0.69	-2.82	1.23	16.04	0.65	-37.5	0.91	2.25
2011	1.53	36.61	1.21	-24.38	0.78	34.48	0.47	-31.88	1.04	-15.45	0.75	15.38	0.96	5.49
2012	0.93	-39.22	1.22	0.83	0.76	-2.56	0.29	-38.3	0.64	-38.46	0.69	-8	1.38	43.75
2013	0.86	-7.53	1.01	-17.21	0.88	15.79	0.46	58.62	0.71	10.94	0.76	10.14	1.2	-13.04
Mean	**1.29**		**1.29**		**0.66**		**1.16**		**0.86**		**0.86**		**1.14**	
SD	**0.95**		**0.31**		**0.13**		**1**		**0.19**		**0.2**		**0.25**	
CV	**73.71**		**24.35**		**19.66**		**86.08**		**22.14**		**23.38**		**21.88**	

Table 2: Debt Equity Ratio

Year	Large Scale Companies								Medium scale Companies					
	TATA	**% Inc/Dec**	**SAIL**	**% Inc/Dec**	**JSW**	**% Inc/Dec**	**VISA**	**% Inc/Dec**	**BHUSHAN**	**% Inc/Dec**	**JSPL**	**% Inc/Dec**	**KALYANI**	**% Inc/Dec**
2004	0.75		1.72		4.15		1.33		1.58		1.2		0.65	
2005	0.39	-48	0.56	-67.44	1.43	-65.54	0.88	-33.83	1.8	13.92	1.14	-5	0.57	-12.31
2006	0.26	-33.33	0.34	-39.29	1.07	-25.17	0.63	-28.41	2.29	27.22	1.49	30.7	0.29	-49.12
2007	0.69	165.38	0.24	-29.41	0.84	-21.5	1.57	149.21	2.67	16.59	1.4	-6.04	0.18	-37.93
2008	1.08	56.52	0.13	-45.83	1.06	26.19	2.01	28.03	3.52	31.84	1.03	-26.43	0.44	144.44
2009	1.34	24.07	0.27	107.69	1.51	42.45	3.19	58.71	3.98	13.07	0.92	-10.68	0.48	9.09
2010	0.68	-49.25	0.5	85.19	1.26	-16.56	3.63	13.79	2.89	-27.39	1.24	34.78	0.75	56.25
2011	0.56	-17.65	0.54	8	0.74	-41.27	3.99	9.92	2.86	-1.04	1.32	6.45	0.7	-6.67
2012	0.45	-19.64	0.4	-25.93	0.69	-6.76	5.13	28.57	2.72	-4.9	1.33	0.76	0.57	-18.57
2013	0.47	4.44	0.52	30	0.86	24.64	4.25	-17.15	3.02	11.03	1.58	18.8	0.56	-1.75
Mean	**0.67**		**0.52**		**1.36**		**2.66**		**2.73**		**1.27**		**0.52**	
SD	**0.33**		**0.44**		**1.02**		**1.57**		**0.72**		**0.2**		**0.18**	
CV	**49.24**		**85.25**		**74.89**		**59.14**		**26.44**		**16.03**		**34.3**	

Table 3: Quick Ratio

Year	Large Scale Companies								Medium scale Companies					
	TATA	**% Inc/Dec**	**SAIL**	**% Inc/Dec**	**JSW**	**% Inc/Dec**	**VISA**	**% Inc/Dec**	**BHUSHAN**	**% Inc/Dec**	**JSPL**	**% Inc/Dec**	**KALYANI**	**% Inc/Dec**
2004	0.39		0.57		0.8		1.39		1.1		0.84		0.92	
2005	0.33	-15.38	0.77	35.09	0.6	-25	0.85	-38.85	1.03	-6.36	1.01	20.24	1.06	15.22
2006	0.3	-9.09	0.73	-5.19	0.59	-1.67	1.45	70.59	1.2	16.5	0.78	-22.77	1.14	7.55
2007	1.37	356.67	1.01	38.36	0.43	-27.12	1.3	-10.34	1.07	-10.83	0.73	-6.41	1.06	-7.02
2008	3.52	156.93	1.23	21.78	0.28	-34.88	0.54	-58.46	0.88	-17.76	1.1	50.68	1.16	9.43
2009	0.57	-83.81	1.24	0.81	0.28	0	0.32	-40.74	0.92	4.55	0.95	-13.64	0.98	-15.52
2010	0.76	33.33	1.53	23.39	0.31	10.71	0.34	6.25	0.93	1.09	0.74	-22.11	1.09	11.22
2011	1.31	72.37	1.35	-11.76	0.49	58.06	0.25	-26.47	0.67	-27.96	0.94	27.03	1.33	22.02
2012	0.69	-47.33	0.82	-39.26	0.54	10.2	0.19	-24	0.86	28.36	0.85	-9.57	1.35	1.5
2013	0.61	-11.59	0.68	-17.07	0.69	27.78	0.4	110.53	0.89	3.49	1.16	36.47	1.08	-20
Mean	**0.99**		**0.99**		**0.5**		**0.7**		**0.96**		**0.91**		**1.12**	
SD	**0.97**		**0.33**		**0.18**		**0.5**		**0.15**		**0.15**		**0.14**	
CV	**97.98**		**32.87**		**35.44**		**71.49**		**15.68**		**16.29**		**12.24**	

Table 4: Interest Coverage Ratio

Year	Large Scale Companies								Medium scale Companies					
	TATA	**% Inc/Dec**	**SAIL**	**% Inc/Dec**	**JSW**	**% Inc/Dec**	**VISA**	**% Inc/Dec**	**BHUSHAN**	**% Inc/Dec**	**JSPL**	**% Inc/Dec**	**KALYANI**	**% Inc/Dec**
2004	13.27		3.73		1.73		30.67		2.69		7.37		2.48	
2005	24.01	80.93	17.64	372.92	4.28	147.4	6.21	-79.75	3.88	44.24	11.35	54	9.58	286.29
2006	31.86	32.69	14.1	-20.07	3.65	-14.72	3.89	-37.36	4.09	5.41	8.87	-21.85	22.24	132.15
2007	26.19	-17.8	30.64	117.3	5.85	60.27	4.47	14.91	6.81	66.5	6.97	-21.42	8.39	-62.28
2008	8.35	-68.12	48.48	58.22	6.13	4.79	7.31	63.53	10.95	60.79	8.45	21.23	6.6	-21.33
2009	5.71	-31.62	40.02	-17.45	3	-51.06	1.72	-76.47	15.02	37.17	10.33	22.25	0.92	-86.06
2010	4.41	-22.77	26.26	-34.38	3.81	27	2.22	29.07	9.2	-38.75	7.91	-23.43	2.86	210.87
2011	6.26	41.95	15.86	-39.6	4.44	16.54	2.14	-3.6	10.94	18.91	10.66	34.77	4.52	58.04
2012	5.85	-6.55	9	-43.25	3.43	-22.75	0.29	-86.45	2.3	-78.98	6.3	-40.9	2.13	-52.88
2013	5.53	-5.47	5.59	-37.89	2.67	-22.16	-0.64	-320.69	1.86	-19.13	3.72	-40.95	2.68	25.82
Mean	**13.14**		**21.13**		**3.9**		**5.83**		**6.77**		**8.19**		**6.24**	
SD	**10.28**		**14.92**		**1.36**		**9.07**		**4.54**		**2.28**		**6.31**	
CV	**78.23**		**70.58**		**34.76**		**155.7**		**66.95**		**27.89**		**101.11**	

Table 5: Financial Charges Coverage Ratio

Year	Large Scale Companies								Medium scale Companies					
	TATA	**% Inc/Dec**	**SAIL**	**% Inc/Dec**	**JSW**	**% Inc/Dec**	**VISA**	**% Inc/Dec**	**BHUSHAN**	**% Inc/Dec**	**JSPL**	**% Inc/Dec**	**KALYANI**	**% Inc/Dec**
2004	15.98		5.1		2.57		33		3.98		6.15		3.43	
2005	26.72	67.21	18.45	261.76	4.93	91.83	4.75	-85.61	5.19	30.4	10.11	64.39	11.55	236.73
2006	36.46	36.45	15.92	-13.71	4.68	-5.07	2.75	-42.11	5.42	4.43	9.8	-3.07	26.17	126.58
2007	29.45	-19.23	33.12	108.04	6.99	49.36	2.93	6.55	7.53	38.93	8.35	-14.8	9.44	-63.93
2008	9.25	-68.59	51.04	54.11	7.16	2.43	3.35	14.33	7.9	4.91	9.68	15.93	7.65	-18.96
2009	6.37	-31.14	44.31	-13.19	3.64	-49.16	1.91	-42.99	9.47	19.87	10.59	9.4	2.04	-73.33
2010	5	-21.51	28.71	-35.21	4.81	32.14	2.43	27.23	7.06	-25.45	8.32	-21.44	4.04	98.04
2011	6.92	38.4	18.66	-35.01	5.64	17.26	2.26	-7	5.8	-17.85	13.07	57.09	6.15	52.23
2012	6.45	-6.79	11.31	-39.39	4.87	-13.65	0.56	-75.22	2.9	-50	7.91	-39.48	3.35	-45.53
2013	6.41	-0.62	7.46	-34.04	3.81	-21.77	-0.23	-141.07	2.51	-13.45	4.99	-36.92	3.73	11.34
Mean	**14.9**		**23.41**		**4.91**		**5.37**		**5.78**		**8.9**		**7.76**	
SD	**11.68**		**15.5**		**1.43**		**9.81**		**2.25**		**2.3**		**7.15**	
CV	**78.37**		**66.21**		**29.03**		**182.58**		**38.93**		**25.85**		**92.16**	

Medium Scale Companies

The Financial Charges Coverage Ratio (%) of *BUSHAN* Company during the year 2004 was. 3.98. It increased to. 9.43 in 2009, *JINDAL* during the year 2004 was. 6.15. It increased to 13.07 in 2011, *KALYANI* during the year 2004 was 3.43. It increased to 16.17 in 2006

The average Financial Charges Coverage Ratio of medium scale companies stood for BHUSHAN 5.78, for JINDAL 8.90 and KALYANI 7.76 percents with the co-efficient of variation of 38.93, 25.85, and 92.16 percents respectively. By comparing the coefficient of variation more variation in the Financial Charges Coverage Ratio is observed in KALYANI and consistency was observed in JINDAL Company (Table 5).

Findings

The proportion of current assets and current liabilities show the higher ratio in TATA, SAIL and VISA by having good short term financial strength. The lower ratio found in JSW at below standard among the large cap companies.. In case of mid cap companies KALYANI shows above standard. BHUSHAN and JSPL show below the standard ratio by maintaining of poor short term funds.

The mean of Debt equity ratio of large cap companies found high level in JSW and VISA because of the high leverage position by using of long term debt fund. The low ratio is found in TATA and SAIL In case of mid cap companies it is found that BHUSHAN and JSPL are in high level and KALYANI shows lower level.

It has been observed that the mean value of Quick ratio is very low in all large cap companies and it shows the poor liquidity position, In the mid cap companies, KALYANI shows higher mean value compare to BHUSHAN and JSPL.

In the analysis of interest coverage ratio of large cap companies, the higher mean value is found in SAIL and TATA. The lower mean value is found in JSW and VISA, it shows ability to pay interest on outstanding debt. It is found that the mean value of mid cap companies show higher in JSPL. The lower mean value is found in BHUSHAN and KALYANI.

The mean value of Financial Charges Coverage Ratio is found higher in SAIL by having ability to satisfy fixed financing expenses. It is found lower in VISA and BHUSHAN among large cap companies. It is observed higher mean value in JSPL among the mid cap companies. The more variation in the Financial Charges Coverage Ratio is observed in KALYANI.

Suggestion

- The generating of income from assets is a very good position in the majority of large and mid cap companies, but VISA and KALYANI fail to increase its return on assets due to inefficient and ineffective uses of assets, so these companies should take necessary step to increase income by effective utilization of assets.
- The current ratio of JSW, BHUSHAN and JSPL are not satisfied because of poor maintenance of working capital fund, these companies should focus on handling of working capital components based on requirement.
- JSW, VISA, BHUSHAN and JSPL are showing higher ratio due to ability in usage of long term debt compared to other steel companies. These companies should adopt proper policies to select debt funds because it leads to increase fixed interest expenses on debt fund.

Conclusion

The liquidity management of Working Capital calls for careful shortage cash flow budgeting based on sound operating budgets variance analysis at regular intervals, careful control of credit and collection period the proper handling of inventory. It also calls for judicious handing of funds not otherwise employed and proper use of banks advances to finance seasonal requirements of the business or for its expansion planning. The study of Working Capital management occupies an important place in financial management. It has never received so much attention as in recent years. Working Capital management is an integral part of overall financial management Working Capital management has been looked as the driving seat of a financial manager

References

Bagchi B, Chakrabarti J and Roy PB (2012). Influence of Working Capital Management on Profitability: A Study on Indian FMCG Companies. *International Journal of Business & Management*, **7**(22): 1-10.

Marc Deloof. (2003). Does Working Capital Management affect Profitability of Firm?. *Vikalpa*, 28(2), 537-585.

Raheman A (2007) Working Capital Management & Profitability – Case of Pakistan Firms. *International Review of Business Research*, 3(2): 275-296.

Rao CV (2010) Working Capital Management and Profitability (A Study on Select Textile Units in India) Ph.D- Unpublished thesis. Pondicherry University, Pondicherry.

Samiloglu F and Demirgunes K (2008) The Effect of Working Capital Management on firm Profitability: Evidence from Turkey. *The International Journal of Applied Economics & Finance* **2**(1): 44–50.

Sasikala D (2012) Dr. Reddy's Liquidity Management & Tradeoff between Liquidity, Risk & Profitability: An Empirical Study. *Indian Journal of Finance* **2**: 24-31.

Shin and Soenen (1998). Efficiency of Working Capital & Corporate Profitability. *Finance India* **8**(2): 37-45