



A Comparative Study Of Liquidity Analysis Of Logistics Companies

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Abstract:

One of the fastest expanding sectors in the world is the Indian Logistics business. This research study is being undertaken to understand and analyze the liquidity of firms based in the BSE Logistics Index. In this Research Paper Two Logistical firms are randomly selected from the BSE Logistics Index. This study collected data source by annual report and The investigation was carried out between the years 2010–11 and 2014–15. Ratio analysis is performed to assess the liquidity of certain organizations. According to a study, some BSE Logistics index-based companies retain the appropriate liquidity.

Key words: Liquidity, Solvency, Working Capital to Logistics companies.

Introduction

Industries are suffering from the uncontrollable situation in India. One of the possible purposes behind this industrial uncontrollable situation is the poor management of liquidity. A business must remain unconsolidated and mollify its responsibilities when and when they are due in order to remain in operation and continue its operations as a continuing concern. The benefit and the liquidity goals are joined via a sound structural of the components of financial management. The capabilities are organized to achieve one or both of these goals.

Logistic and Transport industry is playing the very important role in the building of the economy in India. The industry is not only giving the more and more numbers of passengers and consignments but it is also creating the number of job opportunities for the people. The peoples are now trying the new and new things in the consumption of travelling or getting the logistical services. Thus, the business in the industry have the several problems for fighting in the competition era and the business have developed their strategies for fighting against the difficulties and getting the advantages situation.

Review of Literature:

MISHRA, Satyakama 1 & PRADHAN, Bibhuti Bhusan (2019) In the study on “impact of Liquidity Management on Profitability: An Empirical Analysis in Private Sector Banks of India.” his main aim of study examine the relation between liquidity management and profitability. He used F-test and Analysis of Variance (ANOVA).the study has concluded significant not good performance on liquidity and profitability.

(Eljelly, 2004)Study investigates the effect of a sample of joint stock companies in Saudi Arabia to examine the relationship between profitability and liquidity. The study shows which, as checked by the current ratio, the relevant negative relationship between the profitability of the company and its liquidity level.

(J. P. Singh & Pandey, 2008)The efficient functioning of any business enterprise depends on the ideal level of fixed and current assets and on the value of working capital management as it directly affects profitability and liquidity. They noticed that the management of working capital had a major effect on Hidalgo Industries Limited 's profitability.

Company Profile:

Blue Dart Express Ltd

The best fast air and integrated transportation & distribution firm in South Asia, Blue Dart fast Ltd., provides safe and dependable delivery of packages to more than 35,000 sites throughout India. As a member of the Post - E- commerce - Parcel (PeP) division of the DPDHL Group, which consists of DHL Express, DHL Global Forwarding, and DHL Supply Chain, Blue Dart has access to the largest and most extensive express and logistics network in the world, which spans over 220 countries and territories. Blue Dart provides a full range of distribution services, including air express, freight forwarding, supply chain solutions, and customs clearance.

Blue Dart Express Ltd is India's leading integrated express package distribution company, known for its reliable and efficient logistics solutions. Established in 1991, Blue Dart has emerged as a pioneer in the express logistics industry, providing seamless door-to-door delivery services, supply chain solutions, and e-commerce logistics.

VRL logistics ltd.

VRL Logistics, officially known as Vijayanand Roadlines Limited, is a prominent Indian logistics and transportation company with a strong presence in the industry since its inception in 1976. Established by Dr. Vijay Sankeshwar, VRL Logistics has grown from its humble beginnings to become one of India's leading integrated logistics service providers, offering a wide range of transportation, cargo, and parcel services.

The VRL Group, also known as VRL Logistics Limited, is an Indian conglomerate with activities in over 23 states and 4 union territories across the nation. Its headquarters are in Hubballi, Karnataka. The VRL Group's commercial activities include road transportation, logistics, publishing, etc.

Research Gap:

The researcher is all previous research paper and books, magazine studies and them analyse that most of the liquidity management analysis are done in the other sector like Pharmaceutical Companies, Manufacturing Companies ,Auto mobile companies in India. But very low research was done in particular liquidity analyses in logistics and transportation companies. The particularly of period from 2010-11 to 2014-15.so that researcher undertook this study to liquidity analyses of blue dart express ltd and VRL Logistics ltd.

Research Methodology:

• **Sample Size:** The 2 leading companies of Logistic and Transport sector such as blue dart express ltd and VRL Logistics ltd.

Selection of Data: the source for the study in on secondary data and data gather through the company annual reports.

• **Period of the Study:** For the period from 2010-2011 to 2014-2015.

RESEARCH TOOLS:

The following tools and techniques are used to interpret data.

RATIO ANALYSES :

- (1) Liquidity ratio
 - Current Ratio
 - Quick Ratio
- (2) Inventory turnover ratio
- (3) Debtor turnover ratio

STATISTICS TOOLS :

- Average mean
- Standard Deviation
- Variance
- Minimum
- Maximum

Analysis and Findings:

• **Current Ratio :**

This ratio stated the ability of the company / firm for meeting the instant and current obligations and to main the margin of safety for the creditors. If the current ratio is higher it is better for the trade payment / payable point of view by if we see from the management point of view it is not better and its shows the poor investment pattern and policy of the company / firm. 2:1 ratio is considered as satisfactory for the current ratio. A current ratio of 2 or more means that current assets are more than current liabilities and the company should not face any liquidity problem. A current ratio below 2 means that current liabilities are more than current assets, which may indicate liquidity problems.. The formula for calculating the current ratio of the company / firm is as below:

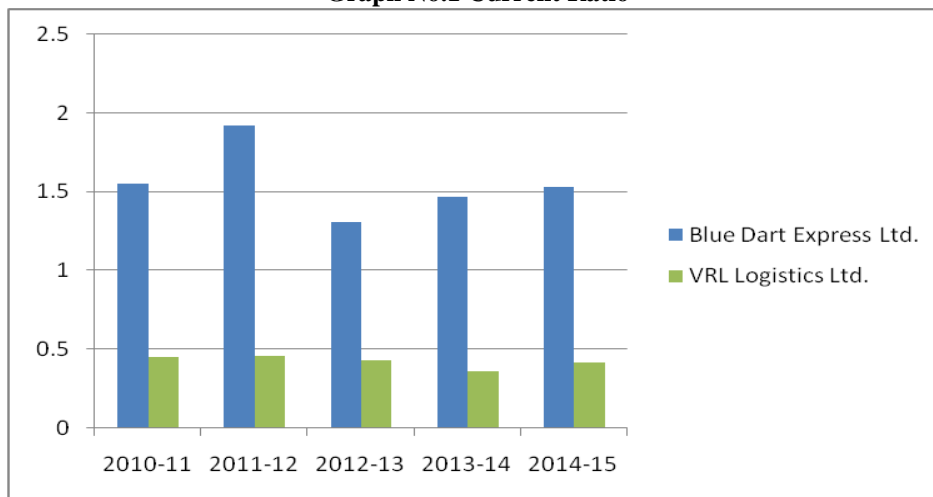
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table No. 1 Current ratio of companies

	Blue Dart Express Ltd.	VRL Logistics Ltd.
2010-11	1.55	0.45
2011-12	1.92	0.46
2012-13	1.31	0.43
2013-14	1.47	0.36
2014-15	1.53	0.42

Mean	1.56	0.42
Std. Dev.	0.22	0.04
Variance	0.05	0.00
Minimum	1.31	0.36
Maximum	1.92	0.46

Graph No.1 Current Ratio



Above table: 1 and Graph, we can show that the Current Ratio. The highest ratio of 1.92 in 2011-12 and the lowest ratio of 1.31 in 2012-13 of Blue Dart Express Ltd. and VRL Logistics Ltd. Current Ratio is the highest ratio is 0.46 in 2011-12 and lower ratio is 0.36 in 2013-14. During the period the company's Current Ratio has shown an increasing and decreasing trend of both companies. The average mean is both companies is given to Blue Dart Express Ltd. of 1.56 and VRL Logistics Ltd. is 0.42 and Standard Deviation of both companies 0.22 and 0.04 and Variance is both companies 0.05 and 0.00. The management must try to bring up this ratio. The high current ratio will lead towards the high working capital cost. Blue dart Logistic companies show that current ratio is near to standard ideal ratio so that this ratio shows companies sound situation position and VRL Logistic Ltd which indicates the Poor liquidity position of a company.

• Quick Ratio:

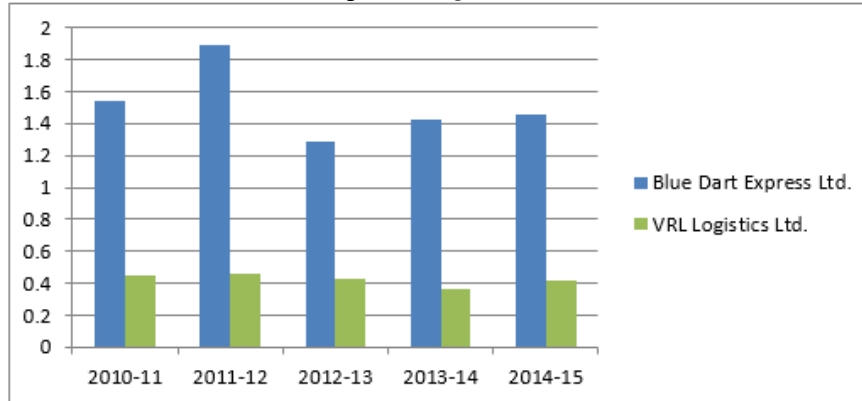
For measuring the instant debt paying ability of the company / firm the Quick Ratio is measured which is also be said to be the Acid Test Ratio. The ratio reflects the relationship between the quick assets with the current liabilities. 1:1 is considered the ideal ratio for the measurement of the Quick Ratio. For meeting the unexpected demand of working capital of the company / firm Quick Ratio must be measured. The reasonable standards and policy of the Quick Ratio is varying from Industry to Industry and Season to Season. The high liquidity ratio as compared to the current ratio is may signify under stocking while the lower liquidity ratio shows the over stocking. The formula for calculating the Quick Ratio is as below:

Quick Ratio	=	$\frac{\text{Current Assets} - \text{Inventory} - \text{Prepayments}}{\text{Current Liabilities}}$
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Table No. 2 Quick Ratio of companies

	Blue Dart Express Ltd.	VRL Logistics Ltd.
2010-11	1.54	0.45
2011-12	1.89	0.46
2012-13	1.29	0.43
2013-14	1.42	0.36
2014-15	1.46	0.42
Mean	1.52	0.42
Std. Dev.	0.23	0.04
Variance	0.05	0.00
Minimum	1.29	0.36
Maximum	1.89	0.46

Graph No.2 Quick Ratio



Above table No 2 and Graph No 2, we can show Quick Ratio. The highest ratio of 1.89 in the period 2011-12 of Blue Dart Express Ltd. and VRL Logistics Ltd. highest ratio is 0.46 in the period of 2011-12 and the lowest ratio of both company is 1.42 and 0.36 in the period of 2013-14 the average ratio of both company is 1.52 and 0.42. During the period the company's Quick Ratio has shown an increasing and decreasing trend. The high quick ratio indicate that the company is maintaining more Current assets in cash or equivalent of cash and purchasing the inventory form the suppliers on cash basis that's why the liabilities is low. Blue Dart Express Ltd Quick ratio All the year of above the ideal current ratio and VRL Logistic Ltd of below the ideal current ratio Both companies are need for maintain quick ratio.

• Inventory Turnover Ratio :

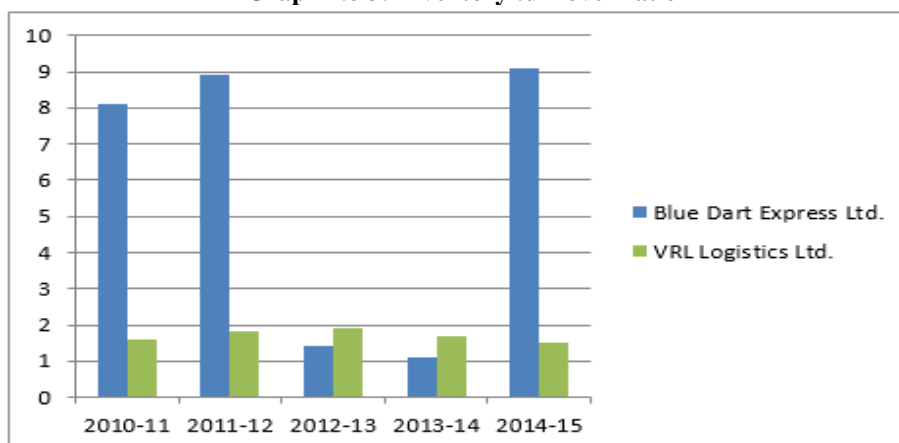
The ratio is used to measure the number of times the finished good or the inventory turnover over during the given accounting period in the relation to the revenue from the business operations. The ratio will give the information about the investment in the investment is in the proper manner or not. High turnover ratio is better than of low. The high turnover will indicate the proper and well-organized business activities and it is also the sign for the under investment in inventory. The ratio is also used as the index for the profitability as the high turnover will indicate the more profit.

Inventory Turnover Ratio	=	$\frac{\text{Cost of Goods Soled}}{\text{Average Inventory}}$
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Table 3: Inventory turnover ratio

	Blue Dart Express Ltd.	VRL Logistics Ltd.
2010-11	8.1	1.6
2011-12	8.9	1.8
2012-13	1.4	1.9
2013-14	1.1	1.7
2014-15	9.1	1.5
Mean	5.72	1.70
Std. Dev.	4.10	0.16
Variance	16.80	0.03
Minimum	1.10	1.50
Maximum	9.10	1.90

Graph No 3: Inventory turnover ratio



Above Table No. 3 and Graph No.3 we can show Inventory turnover ratio. Higher the ratio will reflect that company is performing well with the effective business operations with the low investment in the inventory. From the above table it shows that Blue Dart Express Ltd. and VRL Logistic Ltd have performed very bed in all the years of study period the inventory turnover ratio below the 10 times and the Average Ratio of both the companies are 5.72 and 1.70 respectively. The Average Ratio of VRL Logistic Ltd and Container is very low during the study period which reflects that the company has made more investment in inventory. Blue Dart Express Ltd has not made any investment in accept 2012-13 to 2013-14 the inventory.

Debtors Turnover Ratio :

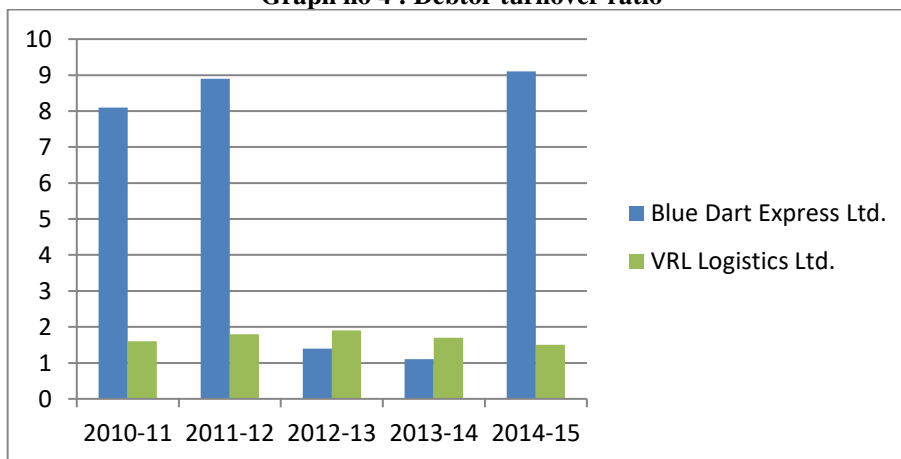
The ratio indicated the relationship between the Net Credit Revenue of the business operation with the average trade receivables of the particular year. The ratio indicated the number of times the trade receivable is turn over in the relation to the revenue of the business in the particular year. It shows how quickly the trade receivable is converted into the cash of the business. The higher ratio will indicate the efficiency of the business in the trade receivable.

$$\text{Debtors Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Trade Receivable}}$$

Table 4: Debtor turnover ratio

	Blue Dart Express Ltd.	VRL Logistics Ltd.
2010-11	8.22	15.02
2011-12	8.7	15.2
2012-13	10.39	16.15
2013-14	7.83	17.96
2014-15	8.13	19.48
Mean	8.65	16.76
Std. Dev.	1.02	1.92
Variance	1.04	3.67
Minimum	7.83	15.02
Maximum	10.39	19.48

Graph no 4 : Debtor turnover ratio



Above table No 4 and Graph No.4 , we can show the Debtor turnover ratio that the highest ratio of 10.39 of Blue Dart Express Ltd in 2012-13 and VRL Logistics Ltd. company highest ratio is 19.48 in period of 2014-15. The lowest ratio Blue Dart Express Ltd company of 7.83 in 2013-14 and VRL Logistics Ltd. Company ratio is 15.02 in the period 2010-11. The average mean of both companies is 8.65 and 16.76 and the Standard Deviation of both companies 1.02 and 1.92 and Variance is both companies 1.04 and 3.67. Which reflect that the company has maintained the collection period of less than a month which is good for the company because the key success of the business is depend on working capital of the business . The performance of Blue Dart Express Ltd is Average during the study period which indicates the Average revivable management of the company and VRL Logistics Ltd. Which indicates the good performance of the company his Average debt collection period is 18 days .

Conclusion:

This study was undertaken about a comparative liquidity analysis of Blue Dart Express Ltd and VRL Logistics Ltd. Both company liquidity position are unequally and capital and receivable performance are different both companies. Current ratio is better and well position of Blue dart Express Ltd company and quick ratio performance are goodness of ideal level

Blue dart Express Ltd company his shows companies' soundness position. But receivable performance of Blue Dart Express Ltd is not good during the study period which indicates the poor revivable management of the company. As well as overall good performance of Blue Dart Express Ltd Company. Blue Dart Express Ltd performance batter than VRL Logistics Ltd. VRL Logistics Ltd should improve its receivable and capital level to make effective polices for the future.

• **Study Limitations:**

1. The study is based on the secondary data published by the company's annual report.
2. Different ratio is calculated by the application of the different approaches.
3. The study is specially based on the ratio calculation and analysis which has its own certain limitations.

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