

# A COMPARATIVE ANALYSIS OF LIQUIDITY POSITION OF SELECTED PAPER MANUFACTURING COMPANIES OF INDIA

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## Abstract

*This paper explores the liquidity position of Paper and Board manufacturing industry of India. To explore and compare the liquidity, all the samples are chosen on the basis of Non-Probability Method – Judgmental Technique (Net Sales of 2023-24) from Paper and Board Manufacturing industry. JK Papers, Tamil Newsprint, West Coast Paper, Emami Paper, Seshasayee Paper were chosen as samples. To measure and compare the liquidity, liquidity ratios like Current Ratio, Quick Ratio and Inventory Turnover Ratios were used. The data is taken for the period of 5 years (from 2019-20 to 2023-24). ANOVA test is used for the purpose of analysis. After the collection of data and analysis it was found out that there is a notable difference in all ratio of liquidity between all the samples and overall Seshasayee Paper was in better condition than any other sample in terms of liquidity.*

**Keywords:** Liquidity, JK Papers, Tamil Newsprint, West Coast Paper, Emami Paper, Seshasayee Paper

## 1. INTRODUCTION

Liquidity refers to the ease with which an asset can be converted into cash without significantly affecting its market price. In financial markets, highly liquid assets, such as stocks of large companies or government bonds, can be quickly bought or sold, making them favourable for investors looking for flexibility and immediate access to funds. Conversely, illiquid assets, such as real estate or collectibles, can take longer to sell and may require price concessions, leading to potential losses.

The concept of liquidity is crucial for both individual investors and businesses, as it impacts financial stability and operational efficiency. For companies, maintaining a certain level of liquidity ensures they can meet short-term obligations and manage unforeseen expenses. In broader economic terms, liquidity also plays a vital role in the overall health of financial markets; high liquidity can facilitate smoother transactions and foster confidence among investors, while low liquidity can lead to increased volatility and risk in the marketplace.

## 2. REVIEW OF LITERATURE

**(Anam, Hasan, Huda, Uddin, & Hossain, 2012)** In this paper, researchers compared the liquidity analysis of Conventional Banking and Islamic Banks of Bangladesh. For that purpose, they have used the data of these bank for the period of 5 years started from 2006-2010. It was found out that Islamic banks were not as much efficient as the conventional banks. The module was failed to prove that Islamic banks were much more profitable than conventional ones.<sup>[1]</sup>

**(Qin & Pastory, 2012)** This study focused on the banking liquidity of Tanzania. The period of study was 10 years starting from 2000-2009. As a sample three national commercial banks of Tanzania were chosen namely, National Bank of Commerce (NBC), CRDB, National Bank of Micro Finance Bank (NBF). From the data, ANOVA test was used to get output from it. It was found out that National Bank of Commerce (NBC) was having strongest liquidity position than rest of banks.<sup>[9]</sup>

**(Tomczak, 2014)** This paper unveils the liquidity position of bankrupt manufacturing companies. For that purpose, data was used from 2007 to 2012 for 5 years. It was found out that those units that were closed were struggling through profitability crisis. Which was initially started as liquidity crunch and as negligence towards this liquidity problem that led them to out of business.<sup>[10]</sup>

**(Meena & Dhar, 2016)** This study throws light on liquidity position of various banks situated in India. For that, researchers took nine banks as a sample, 3 banks from Private Sector, 3 banks from Public Sector and 3 banks from Foreign sector. To analysis purpose, they took the liquidity ratios of all he banks. It was found out

that all the banks were in a good condition in terms of liquidity and all the banks are having a very good short-term asset-liability situation.<sup>[4]</sup>

**(Panigrahi, Raul, & Gijare, 2017)** This paper was testifying the liquidity situation of pharmaceutical companies of India. For that purpose, 5 top pharmaceutical companies namely Ajanta Pharma, Biocon Ltd, Torrent Pharma, IPCA Labs and Lyka Labs. The data is taken starting from 2012 to 2016. After applying ANOVA test, it was revealed that Biocon Ltd is having strongest position among all.<sup>[6]</sup>

**(Patel, 2022)** This study is been conducted on IT Companies of India. Main aim of this research was to study and compare the liquidity of companies. Researcher selected 5 IT companies Namely TCS, Infosys, Wipro, HCL Tech and Tech Mahindra. Study Period was starting from 2016-17 to 2020-21. Study found out that on an average all the study ratios were better than compared to other sectors of India. From all these companies Infosys was better than everyone.<sup>[7]</sup>

### 3. OBJECTIVE OF THE STUDY

- To compare and analyze the liquidity position of selected companies

### 4. RESEARCH METHODOLOGY

#### 4.1 Sample and Sample Selection

All the samples are chosen with the help of Non-Probability method – Judgmental Sampling. For the selection of the company as a sample Net Sales of 2023-24 is used as base.

Company	Net Sales of 2023-24 (in Crores)
JK Papers	5,860.02
Tamil Newsprint	4,692.82
West Coast Paper	2,623.05
Emami Paper	1,993.84
Seshasayee Paper	1,801.56

#### 4.2 Period of the study

The study period includes 5 years of investigation from 2019-20 to 2023-24.

#### 4.3 Hypotheses of the study

$H_0$  = There is no significant difference in Current Ratio of selected companies during the period of study.

$H_0$  = There is no significant difference in Quick Ratio of selected companies during the period of study.

$H_0$  = There is no significant difference in Inventory Turnover Ratio of selected companies during the period of study.

#### 4.4 Tools for Liquidity analysis

For the purpose of analyzing the liquidity position of the selected companies, Primary liquidity ratios are used. These ratios are as followed (I) Current Ratio, (II) Quick Ratio and (III) Inventory Turnover Ratio.

#### 4.5 ANOVA

Here, to find any major discrepancy or differences ANOVA (Analysis of Variance) test is used. This test is used with 5 % level of significance.

### 5. DATA ANALYSIS AND INTERPRETATION

Table No. 1 Current Ratio

(in X (times))

Years	JK Papers	Tamil Newsprint	West Coast Paper	Emami Paper	Seshasayee Paper
2019-20	1.26	0.71	1.04	0.69	2.57
2020-21	1.24	0.67	0.97	0.68	2.59
2021-22	1.50	0.47	1.27	0.83	2.41
2022-23	1.46	0.60	2.27	0.92	3.03
2023-24	1.84	0.67	3.01	1.04	3.34
Average	1.46	0.62	1.71	0.83	2.79

(Source : www.moneycontrol.com )<sup>[11]</sup>

#### Analysis:

**Current Ratio** shows the amount of current asset in comparison to current liabilities. Generally, it shows the quantum of current asset to settle off the current liabilities. So, it means higher the ratio is good for company.

JK Papers was operating at 1.26 times in 2019-20 with references to Current Ratio. Which was decreased by a bit in next year of 2020-21 to 1.24 times. Then it increased to 1.50 times in 2021-22. Then again it set down to

1.46 times in 2022-23. After which it increased to 1.84 times in 2023-24, which was the highest of it during the study period.

Tamil Newsprint was having the current ratio at 0.71 times (its highest during the period) in 2019-20, which was decreased to 0.67 times in following year of 2020-21. The decreasing trend did not stop and it fell of further to 0.47 times in 2021-22. Then in 2022-23, it showed a bit growth and reached to 0.60 times and further to 0.67 times in 2023-24.

West Coast Paper was at 1.04 times in terms of Current ratio in 2019-20. Which was fell by some points and settled at 0.97 times in 2020-21. In 2021-22, it was reached to 1.27 times and 2.27 in 2022-23. Then it reached its highest in 2023-24 with 3.01 times.

Emami Paper, it started with 0.69 times in 2019-20. Which decreased to 0.68 times in 2020-21. In 2021-22, it was raised to 0.83 times then further increased to 0.92 times in 2022-23. Then it reached to 1.04 times (highest) in 2023-24.

Seshasayee Paper was operating at 2.57 times in 2019-20. Which increased to 2.59 times in the year of 2020-21. Then it got reduced to 2.41 times 2021-22. Then it raised to 3.03 times to 2022-23. finally it ended with 3.34 times which was the highest.

**Table No. 2 Quick Ratio** **(in X (times))**

Years	JK Papers	Tamil Newsprint	West Coast Paper	Emami Paper	Seshasayee Paper
2019-20	0.79	0.34	0.31	0.36	1.84
2020-21	0.91	0.34	0.44	0.37	1.54
2021-22	1.11	0.27	0.71	0.47	1.91
2022-23	0.99	0.23	1.50	0.44	2.18
2023-24	1.22	0.25	1.94	0.58	2.42
<b>Average</b>	<b>1.00</b>	<b>0.29</b>	<b>0.98</b>	<b>0.44</b>	<b>1.98</b>

(Source : www.moneycontrol.com )<sup>[11]</sup>

**Analysis :**

**Quick Ratio** is also renown as Acid test ratio. This ratio measure company's capacity to pay off short term liability (more liquid than current) with short term assets. It means the higher the ratio better for company.

JK Papers was at 0.79 times in 2019-20. Which was increased to 0.91 times in 2020-21 and 1.11 times in 2021-22. Then it was dropped by a bit in 2022-23 and lent at 0.99 times then it recovered from it and reached its highest in 2023-24 to 1.22 times.

Tamil Newsprint performed 0.34 times (its highest) of Quick ratio in 2019-20. Which remain still in the next year of 2020-21. Then it reached to 0.27 times in 2021-22. The downfall continued to 0.23 times in 2022-23. It finally reached to 0.25 times in 2023-24.

West Coast Paper was at 0.31 (its highest) in 2019-20. Which increased to 0.44 times in 2020-21. In 2021-22, it reached to 0.71 times. Then it reached to 1.50 times in 2022-23. Finally, it ended with 1.94 times (its highest) in 2023-24.

Emami Paper started things off with 0.36 times in 2019-20, which increased to 0.37 in the year of 2020-21. Then in 2021-22, it went to 0.47 times. After, it dropped to 0.44 times in 2022-23. Which increased in very last year to 0.58 times, which was its highest.

Seshasayee Paper started with 1.84 times in 2019-20. Which decreased to 1.54 times in 2020-21. Then it increased to 1.91 times in 2021-22. Then in 2022-23, it increased to 2.18 times and finally it hit its highest in 2023-24 with 2.42 times.

**Table No. 3 Inventory Turnover Ratio** **(in X (times))**

Years	JK Papers	Tamil Newsprint	West Coast Paper	Emami Paper	Seshasayee Paper
2019-20	6.83	4.10	6.12	5.44	3.95
2020-21	7.93	1.51	5.68	5.47	2.32
2021-22	3.36	3.22	4.06	6.17	3.49
2022-23	4.05	3.15	4.38	5.85	5.23
2023-24	3.46	2.05	3.32	4.55	3.91
<b>Average</b>	<b>5.13</b>	<b>2.81</b>	<b>4.71</b>	<b>5.50</b>	<b>3.78</b>

(Source : www.moneycontrol.com )<sup>[11]</sup>

**Analysis:**

**Inventory Ratio** suggest that how much efficiently company exhaust the entire stock and have to replenish it during the period. It means higher the ratio positive situation of company.

JK Papers operating at 6.83 times in 2019-20. Then it increased to its highest of 7.93 times in 2020-21. Then in 2021-22, it decreased to 3.36 times and then increased to 4.05 times in 2022-23. Finally, it ended with 3.46 times in 2023-24.

Tamil Newsprint was at 4.10 times, which was its highest also in 2019-20. Then it decreased to 1.51 times in 2020-21. In 2021-22, it increased to 3.22 times and dropped to 3.15 times in 2022-23. Then it got again dropped to 2.05 times in 2023-24.

West Coast Paper was at 6.12 times in 2019-20, which was its highest. Then it fell down to 5.68 times in 2020-21. Then again, in 2021-22, it raised to 4.06 times. In 2022-23, It raised again to 4.38 times and finally it ended with 3.32 times in the year of 2023-24.

Emami Paper was at 5.44 times in 2019-20. Which increased in the year of 2020-21 to 5.47 times. This increasing trend continued in 2021-22, when it reached to 6.17 times, its highest in period. After which it dropped to 5.85 times in 2022-23. Then it fell again down to 4.55 times in 2023-24.

Seshasayee Paper was at 3.95 times in 2019-20. Then it fell down to 2.32 times in 2020-21. After which it increased to 3.49 times in 2021-22. Then again it rose to its highest 5.23 times in 2022-23. It ended with a decreased 3.91 times in 2023-24.

## 6. APPLICATION OF ANOVA TEST

### I. ANOVA Test for Current Ratio

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	14.5884	4	3.6471	<b>17.5715</b>	2.49941E-06	<b>2.86608</b>
Within Groups	4.15116	20	0.20756			
Total	18.7395	24				

### II. ANOVA Test for Liquid Ratio

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.7843	4	2.19607	<b>16.815</b>	3.48389E-06	<b>2.86608</b>
Within Groups	2.61204	20	0.1306			
Total	11.3963	24				

### III. ANOVA Test for Inventory Turnover Ratio

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	23.748	4	5.93699	<b>3.569163863</b>	0.02363	<b>2.86608</b>
Within Groups	33.2682	20	1.66341			
Total	57.0162	24				

## 7. RESULT OF THE STUDY

No.	Ratio	Calculated Value	Table Value	Result
1	Current Ratio	17.572	2.866	<b>H<sub>0</sub> is FAILED TO ACCEPT</b>
2	Quick Ratio	16.815	2.866	<b>H<sub>0</sub> is FAILED TO ACCEPT</b>
3	Inventory Turnover Ratio	3.569	2.866	<b>H<sub>0</sub> is FAILED TO ACCEPT</b>

### Analysis :

It is very clear from the above table that calculated value for Current Ratio is 17.572 and table value is 2.866 at 5 % level of significance and 24 of degree of freedom. Here, the table value is lower than calculated value and hence null hypothesis cannot be accepted. So, it can be said that **there is a significant difference in Current Ratio of Selected companies during the period of study.**

For the data of Quick Ratio, the calculated value for 5 % level of significance and 24 of degree of freedom is 16.815 and the table value is 2.866. It is clear that calculated value is higher than table value and hence, null hypothesis cannot be accepted. So, it can be said that **there is a significant difference in Quick Ratio of Selected companies during the period of study.**

For Inventory Turn over Ratio, the calculate value is 3.569 and table value is 2.866 at 5 % level of significance and 24 of degree of freedom. It is visible that table is lower than calculated value and hence, null hypothesis cannot be accepted. So, it can be said that **there is a significant difference in Inventory Turnover Ratio of Selected companies during the period of study.**

## 8. FINDINGS

- In terms of Current Ratio, Seshasayee Paper was having highest on an average than any other sample.
- Seshasayee Paper was also outperforming all of the other sample in respect of Quick Ratio during the study period.
- In Inventory Turnover Ratio, Emami Paper was performing well better than every sample.

- In terms of overall liquidity aspect, Seshasayee Paper has much better condition than any other sample in the study.

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