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EFFECT ON ASSET LIABILITY MANAGEMENT IN URC CONSTRUCTION PRIVATE LIMITED

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ABSTRACT

Asset Liability Management is a comprehensive and dynamic framework for measuring, monitoring and managing the market riskofa company The ALM functions extend to liquidly risk management, management of market risk, trading risk management, funding and capital planning and profit planning and growth projection. The main objective of the present study is to identify the individual ratios which are affecting the assets and liability of the concern. This paper examines management of asset-liability in URC Construction (P) Ltd, Erode during from 2017-18 to 2021-22. The main objective is, to understand the problems involved in maintaining and managing assets and liabilities. The present study has been conducted on the basis of secondary data and is descriptive in its nature. The research design utilized in this study is analytical research.The study period was confined to a period of five financial years from 2017-18 to 2021-2022. The required secondary data for the study was collected through different websites, annual reports of URC Construction (P) Ltd and different journals. To make the analysis meaningful advanced statistical tools like – Ratios and percentages were applied. The major findings are: Capital turnover ratio of the company was satisfactory. The cash ratio has not been maintained according to the standard, the cash has been maintained less than the standard which indicates that company should maintain more cash balance. The net profit has been maintained in the increasing rate which shows that the company has performing well during the study period. From the study it is clear that the company looks forward to generate a more favourable service in the near future.

Keywords: Liquidly risk, Market risk, Trading risk, Funding, profit Planning, URC Construction.

INTRODUCTION

Asset Liability Management is managing infrastructure asset to minimize the total cost of owning and operating them while continuously delivering the service levels customer's desire. It is a comprehensive and structured approach to the long term management of asset. It refers to a systematic process of effectively maintaining, upgrading and operating assets, combining engineering principles with sound business practice and economic rational and providing the tools to facilitate a more organized and flexible approach for making decision necessary to achieve expectations of stake holders and the public. It involves the management of assets, such as investments or property. Liability management is the flip side of the coin the management of debts, loans and mortgages. For example:- Most people and indeed companies have a mixture of asset and liabilities in order to maximize their returns or wealth.

In its simplest form, your balance sheet can be divided into two categories: assets and liabilities. Assets are the items your company owns that can provide future economic benefit. Liabilities are what you owe other parties. In short, assets put money in your pocket, and liabilities take money out. Asset Liability Management in practical terms amounts to management of total balance sheet items, its size and quality. It involves conscious decisions with regard to asset liability structure in order to maximize interest earnings within the frame work of perceived risk with quantification of risk.ALM encompasses the process of managing Net interest Margin (NIM), within the overall risk. It calls for an integrated approach to decision making with regard to type (demand/time maturities) and size (portfolios) of financial assets and liabilities and their mix and volumes (turnover). The success of ALM hinges on matching of assets and liabilities in terms of Rate and maturity to optimize the yield and maintain/improve the NIM.

INDUSTRY PROFILE

CONSTRUCTION INDUSTRY OVERVIEW

The construction industry is the second largest industry in India after agriculture. It accounts for about 11% of India as GDP. It makes significant contribution to the national economy and provides employment to large number of people. There are mainly three segments in the construction industry like real estate construction which includes residential and commercial construction; infrastructure building which includes roads, railways, power etc; and industrial construction that consists of oil and gas refineries, pipelines, textiles etc.

COMPANY PROFILE HISTORY

He established URC Constructions in the mid 50s and led from the front, quickly establishing the company's and leadership's reputation as fair, effective, and community-oriented. A philanthropist, he worked tirelessly toward community development and social empowerment. He was responsible for many noteworthy achievements in the Erode region, such as the KVIT Trust that today runs many schools and colleges.Nearly 70 years later, the company is today a symbol of his ideals, his values and the integrity he brought to the business of construction. His legacy has been carried forward, and URC Construction continues to make a mark and strengthen development in India.

URC CONSTRUCTION PRIVATE LIMITED

URC Construction Private Limited is an unlisted private company incorporated on 21 October, 1991. It is classified as a private limited company and is located in Tamilnadu, Tamil Nadu. Its authorized share capital is INR 10.00cr and the total paid-up capital is INR 5.12 cr.URC Construction Private Limited's operating revenues range is Over INR 500cr for the financial year ending on 31 March, 2022. It's EBITDA has decreased by -7.58 % over the previous year. At the same time, its book net worth has increased by 11.27 %.

RATIO ANALYSIS-AN OVERVIEW

Ratio is a simple arithmetical expression of the relationship of one number to another .It may be defined as the indicated quotient of two mathematical expressions. According to Accountants Handbook by wixom, Kelly and Bedford, a ratio "is an expression of the quantitative relationship between two numbers."Ratio Analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in marketing certain decisions. However, Ratio Analysis is not an end in itself. Ratio Analysis is the technique of interpretation of financial statements with the help of various meaningful ratios doesn't add to any information that is already available, but they show the relationship between two items in a more meaningful way which help us to draw certain conclusions.

COMPARATIVE BALANCE SHEET- AN OVERVIEW

A comparative analysis is one of the widely used tools to analyse financial statements. It is an act of comparing the report for 2 or more financial years or any given period. A comparative balance sheet is one of the most sought financial statements by the business. The biggest advantage of comparing financial statements over time is discovering trends, analysing the findings and taking suitable decisions.To define comparative financial statements, it's a financial statement which represents the financial position over different periods of time. The financial position is represented in a comparative form to give an idea of financial position at two or more periods.

COMMON-SIZE BALANCE SHEET

A common-size balance sheet is a balance sheet in which each line item is expressed as a percentage of assets. A common size balance sheet includes in a separate column the relative percentages of total assets, total liabilities, and shareholders' equity. This format is useful for comparing the proportions of assets, liabilities, and equity between different companies, particularly as part of an industry analysis or an acquisition analysis. It is extremely useful to construct a common size balance sheet that itemizes the results as of the end of multiple time periods, in order to construct trend lines to ascertain changes over longer time periods.

REVIEW OF LITERATURE

Amit Kumar Meena and JoydipDhar(2014), "An Empirical Analysis and Comparative Study of Liquidity Ratios and Asset-Liability Management of Banks Operating in India", International Journal of Social, Human Science and Engineering, Volume:8, pp-358-363

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OBJECTIVES

- To compare the Asset and Liability variance.
- To study the impact of ALM on the profitability of the company.
- To evaluate fixed assets turnover ratio, assets turnover ratio, cash to current assets ratio, total debtors to current liabilities, cash to current liabilities ratio etc.
- To identify the Asset Liability performance of the company.
- To analyze and evaluate the profitability position of the company.
- To evaluate the performance of profit and loss account and balance sheet ratios of the company
- To analyze the performance of debt coverage ratio of the company.

STATEMENT OF THE PROBLEM

Asset and liability management is a new technique to build a framework to perform better and to take best decisions. Asset and liabilities management become essential tools to evaluate the risk facing by the company in maintaining asset and liability to ensure profitability of the business. Assessing the quality of assets play a vital role in progress and development of performance of the company, which may make a study of asset and liability management, is essential and significant.

RESEARCH METHODOLOGY

The research design utilized in this study is analytical research. In this study, secondary data is used that is last five years balance sheet and profit loss accounts of the company. Sample taken for this study is 2017-18 to 2021-22 annual reports.Ratio Analysis, Common-size balance sheet, Comparative balance sheet tools are used. This study will be helpful to know in managing the asset liability management & the profitability of management and financial performance of the company.

RESEARCH DESIGN

Research design is the arrangement of condition for collection and analysis of data in a manner that aim to combine research purpose with economy in procedure. It is the conceptual structure within which research is conducted.The research design is the blue print for fulfilling objectives and answering questions of specific research problem. A research design is purely and simply the framework a plan for a study that guides the collection and analysis of the data.In fact, the research design is the conceptual structure with in which research is conducted; it constitutes the blue print for the collection, measurement and analysis of data, the research design utilized in this study is analytical research.

METHODS OF DATA COLLECTION

The validity of research mainly depends on the proper data collection methods and suitable technique of analysis.Data interpretation is used for the statistical analysis.

Any estimated in the study is generalized only when the design of the study is properly excused. The study mainly depends on the data provided by the firm and the secondary data.

DATA INTERPRETATION

DEBTORS TURNOVER RATIO

This ratio expresses the relationship between net credit sales and average accounts receivable.

Debtors' turnover ratio= Net Credit sales/ Average Account Receivable.

Net Credit Sales: Net credit sales are sales where the cash is collected at a later date. The formula for net credit sales is sales on credit -sales return-sales allowances. Average accounts receivable is the sum of starting and ending accounts receivable over a time period.

Average account receivable: Average accounts receivable is calculated as the sum of stating and ending receivable over a set period of time divided by two

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DEBTORS TURNOVER RATIO			
Year	**Sales**	**Debtors**	**Ratio**
2017-2018	363.84	7.15	50.89
2018-2019	430.13	13.07	32.91
2019-2020	492.80	32.25	15.28
2020-2021	531.04	76.35	6.96
2021-2022	475.32	47.77	9.95

Interpretation

From the above table conveys that debtors turnover ratio was 50.89 in the year of 2017-18. It has decreased to 32.91 in the year of 2018-19. It has decreased to 15.28 and 6.96 in the year of 2019-20 and 2020-21 respectively. It has increased to 9.95 in the year of 2021-2022.

FIXED ASSET TURNOVER RATIO

The fixed assets turnover ratio measures a company efficiency and evaluates it as a return on its investment in fixed assets such as property plants and equipment. In other words, it assesses the ability of a company to generate net sales from its machines and equipment efficiently.

Interpretation

From the above table conveys that debtors turnover ratio was 50.89 in the year of 2017-18. It has decreased to 32.91 in the year of 2018-19. It has decreased to 15.28 and 6.96 in the year of 2019-20 and 2020-21 respectively. It has increased to 9.95 in the year of 2021-2022.

Fixed Asset turnover Ratio= Net Sales/Average Net Fixed assets

Net Sales: Net sales are the total revenue generated by the company, excluding any sales returns, allowances and discounts. Its is very importance figure and is used by analysts when making decisions about the business or analysing a company top line growth.

Average net fixed assets: The average net fixed asset figure is calculated by adding the beginning and ending balance then dividing that number by

2.

FIXED ASSETS TURNOVER RATIO			
Year	**Sales**	**Fixed assets**	**Ratio**
2017-2018	363.84	44.30	8.21
2018-2019	430.13	53.93	7.98
2019-2020	492.80	80.43	6.13
2020-2021	531.04	85.59	6.20
2021-2022	475.32	94.96	5.01

Interpretation

From the above table conveys that Fixed assets turnover ratio was 8.21 in the year of 2017-18. It has decreased to 7.98 in the year of 2018-19. It has decreased to 6.13 and 6.20 in the year of 2019-20 and 2020-21 respectively. It has decreased to 5.01 in the year of 2021-2022.

COMPARATIVE BALANCE SHEET

A comparative analysis is one of the widely used tools to analyse financial statements. It is an act of comparing the report for 2 or more financial years or any given period. A comparative balance sheet is one of the most sought financial statements by the business. The biggest advantage of comparing financial statements over time is discovering trends, analysing the findings and taking suitable decisions.

To define comparative financial statements, it's a financial statement which represents the financial position over different periods of time. The financial position is represented in a comparative form to give an idea of financial position at two or more periods.

Generally, two financial statements are prepared in comparative form for financial analysis purpose.

FINDINGS

- Debtors' turnover ratio was has decreased to 15.28 and 6.96 in the year of 2018-19 and 2020-21 respectively. It has increased to 9.95 in the year of 2021-2022.

- Fixed assets turnover ratio was 8.21 in the year of 2017-18. It has decreased to 7.98 in the year of 2018-19.
- Cash to current liabilities ratio was decreased to 0.49 and 0.19 in the year of 2019-20 and 2020-21 respectively. It has increased to 0.88 in the year of 2021-22.

SUGGESTION

- The net working capital has been decreasing year by year. The management has to take proper steps to maintain the adequate level of working capital.
- The average inventory has ups and down for the consecutive five years. The needed inventory level must be maintained by the production manager.
- The credit sales must be reduced one up to certain limit. There must be strict credit policy but not to affect sales volume and lots of customers.
- The average collection period must be reduced and monitored by concerned authority. The days must be reduced and speed up the collection amount.
- The net profit must be improved by the management. The firm must look up the sales to generate the revenue. The higher the net profit ratio will lead to long survive in the business.

CONCLUSION

Asset Liability Management is a comprehensive and dynamic framework for measuring, monitoring and managing the market risk of a company The ALM functions extend to liquidly risk management, management of market risk, trading risk management, funding and capital planning and profit planning and growth projection. The main objective of the present study is to identify the individual ratios which are affecting the assets and liability of the concern. The return on assets and payable against liability must be enabling to the concern. The concern’s return on assets is moderate one. It has to keep monitor on current assets and fixed assets in order to get fair return. The concern’s payable against liability is also comfortable to the concern. It should keep monitor in the forthcoming years on current liability and long-term liabilities. Capital turnover ratio of the company was satisfactory. The cash ratio has not been maintained according to the standard; the cash has been maintained less than the standard which indicates that company should maintain more cash balance. The net profit has been maintained in the increasing rate which shows that the company has performing well during the study period. From the study it is clear that the company looks forward to generate a more favourable service in the near future.

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