

# Angel broking Ltd.

[Finance](#), [Market](#)



This work has been done under the supervision of Dr Y. Poornima in Ramaiah Institute of Management Studies, Bangalore. Place: Bangalore Date: Ashish Om (11MB50 ) Jeswin George (11MB5071) ACKNOWLEDGEMENTS First of all, we would like to thank the Almighty God for blessing us with the strength, aptitude and patience for successfully completing my internship and this report. I would like to thank my Faculty Guide, Prof. Y. Poornima for giving me the opportunity to work with her during my period of internship.

I have been able to compile and complete this report in a comprehensive manner due to the guidance, support and counselling that she has provided me with during this period. I have tried my best to implement her constructive suggestions while doing my report. I would also like to take this opportunity to thank the management of Angel Broking. Ltd for providing the support to do this Internship. My sincere gratitude goes to Mr. G. N. Chowdry: Manager and Consultant Mines, Mr. Haroon Ahmed: In charge Mines, Mr. Arshad Ahmad: Deputy Chief Chemist, Mr.

Farooq Ahmed: Electric Engineer and to Mr. Shakeel Ahmed: In Charge Cement Mill for giving me time from their busy schedule, providing me with information that was required to complete the report, and for guiding me properly throughout the period of my internship. I would also like to thank all the employees of Saifco Cements Pvt. Ltd. who have supported me and co-operated with me during my internship period. Finally my sincere thanks go to each and everyone who has helped and supported me significantly in different stages during the period of my internship. Chapter 1 Industry Profile

To understand the equity market and maintain and cope up with the growing competition from the various online trading providers, Broking Company  
<https://assignbuster.com/angel-broking-ltd/>

needs to find potential customer and also target the new investors. The project is being done to train the people about the whole procedure essential to open an online trading account couple with demat account. The project will help in exploring the area where there is the feasibility of acquiring more new investors. It would also help in knowing the various competitors of the industry and exploring the areas through which competitive advantage could be obtained.

### **What is a Stock Market?**

A stock market or equity market is a public entity (a loose network of economic transactions, not a physical facility or discrete entity) for the trading of company stock (shares) and derivatives at an agreed price; these are securities listed on a stock exchange as well as those only traded privately. The size of the world stock market was estimated at about \$36.6 trillion at the beginning of October 2008. The total world derivatives market has been estimated at about \$791 trillion face or nominal value, 11 times the size of the entire world economy.

The value of the derivatives market, because it is stated in terms of notional values, cannot be directly compared to a stock or a fixed income security, which traditionally refers to an actual value. Moreover, the vast majority of derivatives 'cancel' each other out (i. e. , a derivative 'bet' on an event occurring is offset by a comparable derivative 'bet' on the event not occurring). Many such relatively illiquid securities are valued as marked to model, rather than an actual market price.

The stocks are listed and traded on stock exchanges which are entities of a corporation or mutual organization specialized in the business of bringing buyers and sellers of the organizations to a listing of stocks and securities together. The largest stock market in the United States, by market capitalization, is the New York Stock Exchange (NYSE). In Canada, the largest stock market is the Toronto Stock Exchange. Major European examples of stock exchanges include the Amsterdam Stock Exchange, London Stock Exchange, Paris Bourse, and the Deutsche Borse (Frankfurt Stock Exchange).

In Africa, examples include Nigerian Stock Exchange, JSE Limited, etc. Asian examples include the Singapore Exchange, the Tokyo Stock Exchange, the Hong Kong Stock Exchange, the Shanghai Stock Exchange, and the Bombay Stock Exchange. In Latin America, there are such exchanges as the BM&F Bovespa and the BMV. Market participants include individual retail investors, institutional investors such as mutual funds, banks, insurance companies and hedge funds, and also publicly traded corporations trading in their own shares.

Some studies have suggested that institutional investors and corporations trading in their own shares generally receive higher risk-adjusted returns than retail investors.

## **What is Stock Broking?**

The process of investing in the share market, either individually or through a broker is known as stock broking, in simple terms. This is primarily done by opening a Demat account. If done through a broker, he opens an account, helping you to operate through online stock broking facility. Going ahead the

broker suggests investment ideas and strategies suiting individual requirements and based on his objective of investment.

Tenure of investment, the selected financial instruments and their respective companies, the schemes, the risk taking ability, the sum available for investment, all are considered while forming investment choices. After the amount is invested, the broker tracks and monitors the investments, changes or reinvests depending on the performance and generates reports for them. This entire process is known as stock broking. To understand the equity market and maintain and cope up with the growing competition from the various online trading providers, Broking company needs to find potential customer and also target the new investors.

The project is being done to train the people about the whole procedure essential to open an online trading account couple with demat account. The project will help in exploring the area where there is the feasibility of acquiring more new investors. It would also help in knowing the various competitors of the industry and exploring the areas through which competitive advantage could be obtained.

## **Who is a Stock Broker**

A stockbroker is a regulated professional individual, usually associated with a brokerage firm or broker-dealer, who buys and sells shares and other securities for both retail and institutional clients, through a stock exchange or over the counter, in return for a fee or commission. Stockbrokers are known by numerous professional designations, depending on the license they hold, the type of securities they sell, or the services they provide. In the United

States, a stockbroker must pass both the Series 7 and Series 63 exams in order to be licensed. In most English speaking venues, the two word term stock broker, like stock brokerage, normally applies to the brokerage firm, rather than to the individual.

It is also a registered depository participant with CDSL. The company has a relaxed work atmosphere which thrives upon human values, co-operation, trust and respect. It ensures career growth to its employees with ample introduction to business practices. It has employee friendly HR policies which gives security and fair promotions.

## **Insight into Angel Broking**

Angel Broking Limited is one of the leading and professionally managed stock broking firm involved in quality services and research. Angel Broking Limited is a corporate member of The Stock Exchange, Mumbai.

The membership of the company with The Stock Exchange Mumbai was originally in the name of Mukesh R. Gandhi, which was eventually turned into a corporate membership in the name of Angel Broking Limited. Angel Broking Limited is managed by Mr. Dinesh Thakkar and he is well supported by Mr. Mukesh Gandhi, a fifteen years veteran in the market. The group is well supported by a professional and qualified research team and efficient operations and back office team, which comprises of highly dedicated and qualified individuals. Angel has an in-house, state of art research department.

Angel believes in reaching out to the customer at the farthest end rather than by reaching out to them. The company in its endeavour to give its client

the best has opened up several branches all over Mumbai, which are efficiently integrated with the Head Office. Angel Broking Limited is primarily into retail stock broking, with a customer base of retail investors, which has been increasing at a compounded growth rate of 100% every year. The company has huge network sub-brokers in Mumbai and other places outside Mumbai, registered with SEBI, who act as channel partners for the company.

The company presently has a total staff strength of around 150 employees who are spread accordingly across the head office and all the branches. Angel has empowered its physical presence throughout India through various strategies which it has been adopting efficiently and effectively over a period of time, like opening up of branches at various places, tie-ups with various agencies and sales agents, buy-outs of smaller regional outfits and appointment of sub-brokers and franchisees. Moreover Angel has been tapping and including high net-worth and self-employed individuals in its vast array of clients.

Angel has always strived in the direction of delivering ultimate client satisfaction and developing stronger bonds with its customers and chose partners. Angel has a vision to introduce new and innovative products and services regularly. Moreover Angel has been one among the pioneers to introduce the latest technological innovations and integrate it efficiently within its business. Angel Broking's tryst with excellence in customer relations began in 1987. It has emerged as one of the most respected Stock-Broking and Wealth Management Companies in India.

With its unique retail-focused stock trading business model, Angel is committed to providing 'Real Value for Money' to all its clients. The Angel

Group is a member of the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and the two leading Commodity Exchanges in the country: NCDEX ; MCX. Angel is also registered as a Depository Participant with CDSL.

## **Managing Director**

The Angel Group of Companies was brought to life by Mr. Dinesh Thakkar. He ventured into stock trading with an intention to raise capital for his own independent enterprise. However, he recognized the opportunity offered by the stock market to serve individual investors. Thus India's first retail-focused stock-broking house was established in 1987.

Under his leadership, Angel became the first broking house to embrace new technology for faster, more effective and affordable services to retail investors. Mr. Thakkar is valued for his understanding of the economy and the stock-market. The print and electronic media often seek his views on the market trend as well as investment strategies. Mr. Lalit Thakkar - Director - Research Mr. Lalit Thakkar is the motivating force behind Angel's highly acclaimed Research team. He's been a part of the senior management team since the Angel Group's inception.

His technical and fundamental outlook has provided impetus to Angel's market research team. Research-based ; personalized advisory services are Angel's forte, and Mr. Lalit Thakkar has undoubtedly been the brain behind it. When it comes to analyzing the market, Mr. Lalit Thakkar is truly a genius. His hands-on experience and fundamental knowledge of the market can predict the market trend early. His views on the market trend are often



quoted in the print and electronic media Mr. Amit Majumdar - Chief Strategy Officer A chartered Accountant by qualification, Mr.

Amit Majumdar is a key member of Angel's strategic decision-making process. He has been with the group since August 2004. He has handled several functions of the group like finance and operations, to name a few. He has rich experience in finance, investment banking, treasury, consultancy and advisory services. Mr. Majumdar has led many successful initiatives for the group. Before joining the Angel Group, Mr. Majumdar has been associated with Rabo India Finance, Ambit Corporate Finance and Ernst ; Young. Mr. Sachin Joshi - Executive Director ; CFO Mr. Sachin R Joshi brings with him over 19 years of experience handling strategic positions in Business Operations ; Finance. He also has hands-on experience in Resource Raising, Strategic Planning, Business Restructuring, Public Listing (Local/ International), etc A Chartered ; a Cost Accountant by qualification, Sachin is also a post graduate in Law and has completed a one year Certificate Program (BLP II) from IIM (Kolkatta). He has been associated with reputed firms such as Navneet Group of Companies, Lupin Laboratories Ltd and Infrastructure Leasing ; Financial Services Ltd. (IL; FS).

His last assignment which pned over 11 years was with IL; FS Invest smart Group where he worked in various capacities such as Chief Financial Officer, Executive Director- Finance ; Operations and Chief Operating Officer Mr. Vinay Agrawal - Executive Director – Equity Broking Mr. Vinay Agrawal leads the Equity Broking business at Angel, which comprises Business Development, Operations, Product Development and E-broking initiative. He

is actively involved in exploring new ways to adopt technology for business enhancement.

A Chartered Accountant by qualification, Mr. Agrawal began his career with the Angel Group as Finance and Operations Consultant, and since then he's quickly climbed up the corporate ladder. Mr. Nikhil Daxini - Executive Director - Sales and Marketing With an MBA in finance, Mr. Nikhil Daxini has been instrumental in introducing the concept of professional marketing of broking services at Angel. His area of focus is Business Development, Risk Management and Operations. Mr. Daxini has immense experience in the marketing of financial products and services. He has been associated with HDFC Bank Ltd. in the past. Mr. Mudit Kulshreshtha - Executive Director - Business Intelligence ; Analytics Mr. Mudit Kulshreshtha heads the advance analytics and strategic business intelligence division at Angel. With a Bachelor's degree in Engineering and PhD in Economics, Mr. Mudit Kulshreshtha has more than 12 years experience in the field of strategy and business consulting. He has been associated with reputed consulting firms like Deloitte Consulting India, Ernst and Young, Arthur Andersen and WNS Global. He has advised several big clients in the U. S. and U. K.

He is also a known speaker at public seminars and conferences organised by CII, NASSCOM, Indian School of Business and IIT. Mr. Santanu Syam - Executive Director - Operations Mr. Syam brings with him over 18 years of experience in the field of Transaction Banking, Wholesale Banking, Treasury Banking, Consumer Banking and CBS. He started his career with ANZ Grindlays Bank and he was also associated with Standard Chartered Bank in India as Director Transactional Head Banking. Mr. Syam followed up his

Engineering degree with an MBA. He has also attended Banking ; Technology seminars organised by SCB Singapore, BSE India ; Euro Finance.

## **Key Developments For Angel Broking Ltd.**

Angel Broking Ltd. to Invest INR 300 Million in Financial Year 2010 Angel Broking Ltd. Announced that it is planning to invest around INR 300 million this financial year for expanding its branch network. The company is looking to invest around INR 250-300 million in this financial year for expanding its network by 50 branches. The investment is in line with expansion strategy which sees huge potential in the long term.

Under its expansion plans, the company would focus on few areas in the northern and southern regions including Punjab, Haryana, New Delhi, Tamil Nadu and Karnataka. The firm is also eying to tap semi-urban pockets which have huge investment potential. Angel Broking In Talks To Raise Funds Angel Broking Ltd. plans to finalize INR 2 billion – INR 2.5 billion fund raising plans between December 2009 and March 2010. Dinesh Thakkar, Angel Broking's CMD said, " We are got active interest from the US and UK-based institutions. We are open to diluting a significant stake. He did not reveal the valuations, because discussions were still in a preliminary stage. Angel Broking Ltd. Announces Executive Appointments Angel Broking Ltd. announced four key-appointments for its domestic operations. Hitungshu Debnath has been appointed as the head of its distribution ; wealth management services while Mudit Kulshreshtha will take over as the head of strategic business intelligence and advanced analytics initiatives. The company has also named Adil Kasad as the Chief Financial Officer (CFO) and Santanu Syam as head of retail operations across all business verticals.

## **Angel Broking Credentials Our Vision**

To provide best value for money to investors through innovative products, trading/investments strategies, state of the art technology and personalized service. Our Motto To have complete harmony between quality-in-process and continuous improvement to deliver exceptional service that will delight our Customers and Clients. Our CRM Policy: Customer is King “ A Customer is the most Important Visitor on our premises. He is not dependent on us, but we are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business.

## **Human Resource Department**

### **Work Culture**

At Angel, exploring of new paths to provide the best value to all our internal and external customers is carried out. Angel Broking considers people as their biggest asset and believes in creating long term relationships by nurturing talent from within. A fast-growing, forward-looking organization like Angel, demands HR to be a keyresponsibilityarea of our core management team.

The HR team constantly explores ways to enhance and augment the knowledge base and productivity of all Angels by providing various learning and development Programs. The three tier Leadership Development program helps all star performers to grow and develop their managerial skills to become effective mentors for their teams and thereby take on the next level of responsibility effectively. Angel’s is a winning team of highly determined, motivated, and adaptable people, all working diligently to take Angel's exciting success story forward.

HRPhilosophyAt Angel, People come first. Along with the customers, the employees are equally vital to the organization. The Business of HR is to foster an entrepreneurial spirit – whereby Angels can operate with ownership as an entrepreneur (profit center) within the confines of their job role and earn over and above their fixed salaries. Angel believes in inculcating a sense of responsibility and ownership in all Angels which brings out the entrepreneurial zeal to explore potential within as well as beyond job boundaries.

The Performance Management System at Angel has reduced manual intervention to a minimal level. The fully integrated online system uses sophisticated tools such as national and regional stack ranking, performance bands and rank based recommendations. All this is supported through one-on-one interactive feedback & coaching session with team. Performance credits are received for exceeding expected targets and there are equal opportunities for all employees to earn rewards with no upper limits. Performance credit structures have been worked out differently for various categories of employees.

We identify the strengths of employees and design training programs to build their strong points and overcome their shortcomings. We prepare our employees for future positions with training and by encouraging the learning process. This helps them to move towards their career objectives efficiently. We also employ various people development initiatives like E-learning opportunities for functional & behavioural skills through video conferences and through our employee portal. Our E Wise – Be wise Program provides every Angel with 24x7 access to all relevant information about Angel.

This encourages employees at all levels to upgrade their knowledge constantly and apply their learning's in the day to day work to achieve high productivity and customer satisfaction levels.

## **IT and Media**

The rapid innovation in the field of information and communication technology has posed serious challenges for the stock broking industry in India. The use and application of information technology in wide variety of insurer's operations has now become strategic in the sense that it has direct impact on the productivity of resources, and a sweeping impact on reducing the case of various activities.

With the arrival of private brokers, the competition has become more intense and an important role is being played by the stock broking sector. Angel Broking has been maintaining a proper Management Information System for the proper recording of the information of all types available to them. This helps them to assess the information and analyse it for any kind of priority requirements. For any technology related problems that needs to be fixed, Angel Broking takes a time p which is dependent on the severity of the problem. It takes around a day or a week's time to get the technology fixed if it is a small problem.

Employees at the IT department get it resolved at the earliest and avoid turbulence which enhances a smooth flow of activities in the organization. At Angel Broking, the impact of Information Technology can be seen in the other departments also: Marketing department: In this department IT has facilitated the marketing executives to up sale the business and meet the

business delegates with new technology and features of the their business.

Finance Department: Angel Broking uses computerized accounting system which has reinforced the department to work with accuracy and reliability.

Human resource department:

The human resource department at Angel Broking also uses information technology to maintain databases of information regarding the employees working in the organization and their details. Since Angel Broking is basically a stock broking firm, they mostly concentrate on Press releases, Events and very few TV commercial Ads.

## **Marketing Department**

The meaning of marketing has changed with the passage of time. In the modern times, the concept of marketing has been changed entirely due to cutthroat competition. Markets are no longer local but they have become national as well as international in character.

In the past marketing was often referred as selling but now it has been realized that marketing is different from selling. Marketing department takes care of the marketing of all the products of the company. It helps in the increase of the business. It plays the major role in making the people aware of their product. It concentrates on making the strategies of how to increase the sales of the products. How they can segment the market to tap out its maximum potential profits. It also works on sales promotion to increase the sales of company. According to J. F. Pyle, “ Marketing is that phase of business activity through which human wants are satisfied by exchange of goods and services”. Also marketing is the process of discovering and

translating consumer wants into products and services specifications. Marketing differs in between products and service based organizations. As in manufacturing firms there is a product but in service-based organization the marketing has to be done of an intangible thing. In the Marketing department, we were given the opportunity to learn new things by observing and interacting with the Marketing team of the company.

I was involved with creating Product Invoice, recording and tracking the sales call from the distribution channel, analysing some sales figures of the company, and taking feedback and complaints from the customers via telephone and e-mail while working in the Customer Service Department.

## **Finance Department**

This department keeps the proper track record of all the transactions taking place. It maintains the record of all the broking being carried out in our office. Ratio analysis of financial statements It is a systematic use of ratios to interpret/ assess the performance and status of the firm. A ratio expresses a mathematical relation between two quantities.

Ratios are tools providing us which clues and symptoms of underlying conditions. Ratios can help us to identify areas requiring further investigation.

The usefulness of ratio depends on the quality of the numbers in their calculation. That is our ability to draw useful insights and make valid intercompany comparisons is enhanced by our skill in adjusting reported numbers prior to inclusion in these analyses.



Ratios are interpretable only in comparison with 1) Prior ratios 2) Predetermined standards. 3) Ratios of competitors.

Ratio analysis of a firm's financial statements is of interest to shareholders, creditors, and the firm's management. Stockholders are interested in the firm's current and future level of risk and return, which directly affect the stock price. The firm's creditors are primarily interested in the short-term liquidity of the company and in its ability to make interest and principal payments. Internal management is concerned with all aspects of the firm's financial performance. Therefore, they attempt to produce financial ratios that will be considered favorable to both owners and creditors.

Additionally, management uses ratios to monitor the firm's performance from period to period. Unexpected changes or variances are identified to isolate developing problem areas.

### **Importance Of Ratio Analysis**

Ratio analysis does two things, immediately. The first thing is it allows the company to compare itself with other like companies. If management feels things aren't going well, they can help pinpoint the problem through comparing their ratios with other companies. They may have several ratios that are comparable, but a couple which are way off. That might be where the problem is.

Also, ratio analysis may help by comparing your company with prior periods. If a particular ratio is declining when it would be better if it were staying the same or increasing, then again looking at the ratios are important to find out where the problem lies. Ratios are important to spot trends easily.

In a sound business, a current ratio of 2: 1 is considered an ideal one. Current ratio indicates firm's ability to pay its current liabilities, i. e. day-to-day financial obligation. Current ratio is an index of the firm's financial stability i. e. , an index of technical solvency and an index of the strength of working capital, which means excess of current assets over current liabilities. Higher ratio more than 2: 1 indicates sound solvency position. Lower ratio less than 2: 1 indicates inadequate working capital. b) Quick ratio: Quick ratio is also known as liquid ratio or Acid test ratio.

Quick ratio shows the liquidity of the business. Quick ratio is the ratio between quick assets and quick liabilities. The term quick asset refers to current assets, which can be converted into, cash immediately or at a short notice without diminution of value. Quick assets comprise of all current assets minus stock and pre paid expenses. The formula to find quick ratio is as follows. Quick Assets = Current assets - (Stock + Prepaid expenses) Quick Assets = Current assets - (Stock + Prepaid expenses) Quick liabilities comprises of all current liabilities minus Bank over draft.

Quick Ratio = Quick assets / Quick Liabilities Quick Ratio = Quick assets / Quick Liabilities The formula is shown below: Quick Ratio = Quick assets/Current Liabilities Quick Ratio = Quick assets/Current Liabilities Significance of the ratio It is the true test of business solvency. Generally an acid test ratio of 1: 1 considered as satisfactory, by that a firm can easily meet all current claims. Higher ratio more than 1: 1 indicates sound and good financial position. If the ratio is less than 1: 1, that is, liquid assets are less than current liabilities, the financial position of the concern shall be deemed to be unsound.

This ratio gives a picture of firm's ability to meet its short-term debts out of short-term assets. If less the quick ratio, higher the incidence of inventory in inflating the current ratio and higher is quick ratio, the incidence of inventory in inflating the current ratio is less. c) Net working capital: Working capital is the lifeblood of the business. Working capital refers to that part of the firm's capital, which is used for financing short term or current assets, such as, cash, marketable securities, debtors, inventories, bills receivables etc. In a narrow sense, the term working capital refers to the net working capital. Net working capital is the excess of current assets over current liabilities. Net working capital = Current assets - Current liabilities

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d) Turnover ratios: It measures the speed with which various accounts /assets are converted into sales or cash. It is concerned with measuring the efficiency in asset management. These ratios are also called efficiency ratios or asset utilization ratios. The liquidity ratios mentioned above are related to the liquidity of a firm as a whole.

Another way of examining the liquidity is to determine how quickly certain current assets are converted into cash. The ratios to measure these are referred to as turnover ratio. The three relevant turnover ratios are, 1. Inventory turnover ratio: This ratio is also known as stock velocity. This ratio calculated to consider the adequacy of the quantum of capital and its justification for investing in inventory. A firm must have reasonable stock in comparison to sales. It is the ratio of cost of sales and average inventory. This ratio helps the finance manager to evaluate inventory policy.

This ratio reveals the number of times finished Inventory turnover Ratio = Cost of sales/Average inventory

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sales/Average inventory 2. Debtors' turnover ratio: Debtor's turnover ratio is also called 'Debtors velocity' or 'Receivables turnover'. A firm sells goods on credit and basis. When the firm extends its customers, book debts are created in the firms account. Debtors are expected to convert into cash over a short period, so it included in current assets. Debtors include the amount of bills receivables and book debts at the end of accounting period.

It is a test to understand the reasonable quantitative relationship between outstanding receivables and sales. Financial analysts employ two ratios to judge the quality or liquidity of the Debtors turnover and Average collection period. Debtor's turnover is found by dividing total sales by sundry debtors. Formula to find debtors turnover ratio is given below Debtors turnover = Total sales/Sundry debtors Debtors turnover = Total sales/Sundry debtors 3. Creditors' turnover ratio: It is a ratio between net credit purchases and the average amount of creditors outstanding during the year.

It is calculated as follows: Creditors turnover ratio= net credit purchases / average creditors Creditors turnover ratio= net credit purchases / average creditors Net credit purchases= gross credit purchases - returns to suppliers Net credit purchases= gross credit purchases - returns to suppliers Average creditors= average of creditors (including bills payable) outstanding at the beginning and at the end of the year Average creditors= average of creditors (including bills payable) outstanding at the beginning and at the end of the year

A low turnover ratio reflects liberal credit terms granted by suppliers, while a high ratio shows that accounts are to be settled rapidly. The creditor's turnover ratio is an important tool of analysis as a firm can reduce its

requirement of current assets by relying on supplier's credit. The extent to which trade creditors are willing to wait for payment can be approximated by the creditor's turnover ratio. Defensive - Interval Ratios: It is the ratio between quick assets and projected daily cash requirement. Defensive - interval ratios = Liquid assets /projected daily cash requirement

Defensive - interval ratios = Liquid assets /projected daily cash requirement  
 Projected daily cash requirement= projected cash operating expenditure/number of days in a year  
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 Cash Flow From Operations Ratio: Cash flow from operations ratio= Cash flow from operations/ current liabilities  
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 This ratio measures liquidity of a firm by comparing actual cash flows from operations with current liability. It is calculated as per equation

Being a cash measure, the ratio does not encounter the problems of actual convertibility of current assets and the need for maintaining minimum levels of these assets. In general, the higher the ratio, the better is a firm from the point of view of liquidity.