



A Study on Cash Flow Analysis in Electrosteel Casting Ltd

¹Gnanendar Reddy C, ²Dr. D. Shahanaz

¹ MBA Student, Department of MBA, Annamacharya Institute of Technology & Sciences, Tirupati.

² Assistant professor department of MBA, Annamacharya Institute of Technology & Sciences, Tirupati.

ABSTRACT

Cash flow statement is an essential device to investigate the cash function of a business firm. It can denote modifications in coins role at some stage in two monetary years. It also presents information about the cash receipts and the payments of a commercial enterprise for a given period. It presents first rate records that compliments the profit and loss account and balance sheet. Cash flow declaration evaluation is statement which affords a complete explanation for the alternate in a firm's cash all through a specific period by specify the company resources and makes use of of coins for the duration of the period from operating, investing and financing activities. It affords handy records approximately an entity's sports in producing cash from operations. It informs about programme to repay debt allotted dividends or reinvest to preserve or enlarge its working ability. It provides facts about its financing sports both debt and fairness and about its investment in each constant property or cutting-edge assets apart from coins. This Article is based at the practice observed and practise for its guidance contained within the numerous textual content books for the steering of the students and accountants. It is hoped that the content material of this Article might assist the readers to apprehend Cash-flow statement properly.

KEYWORDS: Cash operating sports, making an investment activities, economic sports

Introduction

Cash Flow Analysis

Cash Flow Analysis is a summarized announcement displaying cash inflows and cash outflows of running, financing and making an investment nature over a selected period of time. It requires starting and remaining balance sheet and also profit and loss account. Cash contains cash handy and call for deposits with banks. Cash equivalents are short term, especially liquid investments which can be without difficulty convertible into acknowledged amounts of cash and that are difficulty to an insignificant risk of adjustments in fee.

Cash flows are inflows and outflows of coins and coins equivalents. Operating sports are the most important revenue-producing activities of the enterprise and different sports that are now not making an investment or financing activities. Investing sports are the purchase and disposal of long-time period property and other investments now not protected in coins equivalents. Financing activities are activities that result in modifications inside the size and composition of the proprietors' capital (which includes desire proportion capital within the case of a organization) and borrowings of the corporation.

Cash and Cash Equivalents

Cash equivalents are held for the purpose of assembly quick-time period cash commitments instead of for funding or different purposes. For an funding to qualify as a cash equivalent, it ought to be quite simply convertible to a acknowledged amount of cash and be situation to an insignificant risk of modifications in fee. Therefore, an funding commonly qualifies as a cash equivalent most effective when it has a short maturity of, say, three months or much less from the date of acquisition. Investments in shares are excluded from cash equivalents unless they're, in substance, cash equivalents; for instance, choice stocks of a company obtained shortly earlier than their distinct redemption date (furnished there may be most effective a trifling threat of failure of the agency to repay the amount at adulthood).

Review of Literature

Definitions:

Cash equivalents are quick-term, noticeably liquid investments that are with ease convertible into acknowledged quantities of cash and which can be situation to a mere hazard adjustments in fee.

Cash flows are inflows and outflows of coins and coins equivalents.

Operating sports are the most important sales-producing activities of the employer and different activities that aren't investing or financing activities.

Investing sports are the purchase and disposal of long-time period assets and different investments not protected in cash equivalents.

Financing activities are activities that bring about changes inside the size and composition of the owner's capital (which include choice proportion capital in the case of a organisation) and borrowing of the agency.

- (i). Enterprises whose fairness or debt securities are listed on a recognized stock exchange of India, and businesses which might be inside the method of issuing equity or debt securities in order to be indexed on a diagnosed stock alternate in India as evidenced via the board of administrators' resolution on this regard.
- (ii). All other industrial, commercial and enterprise reporting enterprises, whose turnover for the accounting length exceeds Rs. 50Crores.

Objectives of The Study

1. To analyse cash flows from operating, financing and investing activities of the firm.
2. To tell how much cash came and how much cash went out and what is the net cash flow during the period 2016-17 to 2020-21.
3. To explain the causes for changes in cash balance during the study period.
4. To suggest measures to improve cash position of the company

Need For The Study

The need for cash flow analysis is show the firm's cash is being generated (cash inflows), and where its cash is being spent (cash outflows), over a specific period of time (usually a financial year). Through cash flow analysis, a financial analyst will understand the short-term liquidity and long-term solvency of the firm. Hence, there is a need to understand that how the cash flow is taking place through various activities in between opening and closing dates of a financial year. However, the cash float analysis serves the subsequent functions:

1. 1.Cash Flow Analysis aims at highlighting the cash generated from operating activities.
2. Cash Flow Analysis helps in planning the repayment of loan or replacement of fixed assets.
3. Cash Flow Analysis is used as basis for the projection of future investing and financing plan of the enterprise.
4. Cash Flow Analysis helps to ascertain the liquid position of the firm in a better manner. Banks and financial institutions mostly prefer Cash Flow Analysis to analyze the liquidity position of the borrowing fund.
5. The management generally looks into Cash Flow Analysis to understand the internally generated cash which is best utilized for payment of dividends.
6. Cash Flow Analysis based A.S.3 (revised) presents separately cash generated and use in operating, financing and investing activities.
7. To know the receipts and disbursements of the company.
8. To find out the company's cash distribution needs as per the payment schedule.

Scope of The Study

1. It helps to take short term financial decision.
2. It indicates the cash requirement needed for plant or equipment expansion program.
3. To find strategies for efficient management of cash.
4. It allows to set up wanted price range at the most beneficial terms.
5. It helps to meet routine cash requirement to finance the transaction.
6. It reveals the liquidity position of the firm by highlighting the various sources of cash and its uses.

Limitations of the Study

1. The study based on finance reports provided by the **ELECTROSTEEL CASTINGS LTD, Srikalahasti only.**
2. The study is limited to the five years only (2016-17 to 2020-21).
3. The reliability of the study is reduced because of the uncertainty of cash forecasts.

4. The Duration for the study was only for 45 days, limited time doesn't allow doing in depth analysis.

Methodology of The Study

The study is based on secondary data, discussions with personnel concerned. The secondary data consists of annual reports of the **ELECTROSTEEL CASTINGS LTD** ranging for the last 5 years.

The secondary data was also collected from the already published sources such as pamphlets, annual reports, and internal records.

- Collection of required data from annual report of **ELECTROSTEEL CASTINGS LTD, SRIKALAHASTI**, Chittoor.
- Reference from text book and journals.
- Articles published in business newspapers like Economic times, Business line, etc.

Period of The Study

The period of the study used in this project is 5 years. Here, I am using financial statements from 2016-17 to 2020-21 Five years of Balance Sheets and Profit and Loss Accounts of Electro steel Castings Ltd, are used to analyse the cash flow analysis.

Data Analysis & Interpretation

Cash Flow Analysis of Electro steel Castings Ltd for the year 2020-2021

Particulars	Amount in Rs	Amount in Rs
I. Cash flows from operating activities		
A. Operating cash receipts:		
a) Cash sales	29,41,77,184	
b) Cash received from customers	29,22,86,294	
c) Miscellaneous income	9,85,051	
Total cash receipts		58,74,48,529
B. Operating cash payments:		
a) Cash purchases	19,86,56,781	
b) Cash paid to suppliers and employees	27,50,40,349	
Total cash payments		47,36,97,130
C. Cash generated from operations (A-B)		11,37,51,399
D. Net of tax refund received/Income tax paid		25,28,390
E. Cash flows before extraordinary items (C-D)		11,12,23,009
F. Adjusted extraordinary items (+/-) Receipt/payment		-
G. Net cash flows from operating activities		11,12,23,009
II. Cash flows from investing activities		
A. Cash inflows:		
a) Proceeds from sale of fixed assets	1,00,00,000	
b) Proceeds from sale of investments	-	
Total cash inflows		1,00,00,000
B. Cash outflows:		
a) Purchase of fixed assets	9,32,40,620	
b) Purchase of investment	-	
Total cash outflows		9,32,40,620
C. Adjusted extraordinary items (+/-)		-
D. Net cash flows from investing activities		(8,32,40,620)
III. Cash flows from financing activities		
A. Cash inflows:		
a) Proceeds from the issue of shares	1,00,00,000	
b) Proceeds from long term borrowings	6,96,16,000	
Total cash inflows		7,91,16,000
B. Cash outflows:		
a) Interest on loans and dividend payments	25,28,390	

Total cash outflows		25,28,390
C. Adjusted extraordinary items (+/-)		-
D. Net cash flows from financing activities		7,65,87,610
IV. Net increase or decrease in cash and cash equivalents (1+2+3)		10,45,69,999
V. Cash and cash equivalents at the beginning of the year		5,00,00,000
VI. Cash and cash equivalents at the end of the year		15,45,69,999

Interpretation:

During the financial year 2020-21, the net cash flows from operating activities is Rs.11,12,23,009, net cash flows from investing activities is Rs.(8,32,40,620), the net cash flows through financing activities is Rs.7,65,87,610. It may be concluded that the major source of cash during the financial year is through the operating activities, followed by financing cash flows. But, there is a negative cash flow through investing activities during the financial year.

Findings

1. The more cash inflows are from operating activities compared to the investing and financing activities.
2. The more cash outflows are from investing activities compared to the operating and financing activities.
3. The organization used more cash to purchase the fixed assets in every year without considering the sale proceeds.
4. The balances of coins and coins equivalents are fluctuated 12 months with the aid of year.
5. The organization is needed to improve the dividend payments.
6. The organization is went for long term borrowings unnecessarily.
7. The organization is more concentrated on purchasing of fixed assets rather than sale of investments.

Suggestions

1. The organization needs to improve the cash inflows from investing activities.
2. The organization tries to reduce the more cash outflow from investing activities compared to operating activities and financing activities.
3. The organization needs to concentrate on sale proceeds rather than unnecessary purchasing of fixed assets and investments.
4. The organization needs to maintain the cash and cash equivalents up to the standard levels consistently.
5. The organization needs to maintain the total dividend payments consistently year by year.
6. The organization tries to reduce the unnecessary long term borrowings.

Conclusion

1. The more cash inflow comes from operating activities because of more cash sales and more cash received from suppliers and employees.
2. The more cash inflow comes from financing activities also because of issuing shares and proceeds from long term borrowings.
3. The more cash outflow goes out from investing activities because the organization invest more in purchasing of fixed assets and investments.
4. The cash and cash equivalents are shows increasing trend in 1st year (2017), 2nd year (2018) decreases and further 3 years (2019, 2020 & 2021) shows increasing trend.

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