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## **A Study on Cash Flow Analysis in Sibar Auto Parts Pvt Limited, Renigunta**

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### **ABSTRACT :**

Cash flow statement is an important tool to analyse the cash position of a business firm. Cash flow statement reveals the causes of changes in cash position of business concern between two dates of balance sheet. According to Accounting Standard – 3 (Revised) an enterprise should prepare a cash flow statement and should present it for each period with financial statements prepared. Accounting Standard – 3 (Revised) has also given the meaning of the words cash, cash equivalent and cash flows. This study explain the importance of cash flow statement and it covers the operating, investing and financing activities of the company. It is hoped that the content of this Article would help the readers to understand Cash-flow statement properly.

**Keywords:** Cash operating activities, investing activities, financial activities.

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### **Introduction To Finance:**

Finance is one of the basic foundations of kinds of economic activities. It is the master key, which provides access to all the sources for being employed in manufacturing. Hence it is rightly said that finance is lifeblood of any enterprise, besides being the scarcest elements, it is also the most indispensable requirement. Without finance neither any business can be started nor successfully run. Provision of sufficient funds the required time is the key to success of concern. As matter of fact finance may be said to be circulatory system of economic body, making possible the needed co-operation among many units of the activity.

**According to Prof. EZRA SOLOMAN: “Financial management is concerned with the efficient use of any important economic resources, namely capital funds”.**

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### **Cash Flow Analysis**

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk changes in value.

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

Operating activities are the principal revenue-producing activities of the enterprise and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the owner’s capital (including preference share capital in the case of a company) and borrowing of the enterprise.

- Enterprises whose equity or debt securities are listed on a recognized stock exchange of India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognized stock exchange in India as evidenced by the board of directors’ resolution in this regard.
- All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50Crores.

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### **Review of Literature:**

Cash flow from investing activities to total liability ratio indicates company’s ability to cover its total debt with cash. This ratio has a significant negative relationship with financial distress. (Fawzi N. S., Kamaluddin A., 2015) The authors conclude that this ratio provides a notion of a company’s future

liability settlement possibilities. If the ratio value is negative for a period of several years, then that means that the company's management board is investing additional resources into increasing the company's assets thus causing asset growth.

Cash flow from financing activities to total liabilities ratio measures the cash generated from financing activities to meet its obligation in the long run. (Fawzi N. S., Kamaluddin A.,2015) This ratio value is essential for financial analysis, because it shows the quality of the cashflow from financing activities.

**Ross Kirkham** (faculty at university of the sunshine coast, Queensland, Australia) had study on a "Liquidity Analysis Using Cash Flow Ratios and Traditional Ratios: The Telecommunications Sector in Australia" at the period in 2012. It has 25 companies and the data of 5 years which find out similarities and differences between traditional ratios and cash flow ratios so that we can examine the value of liquid position of the corporate unit in the market. It results in that cash flow ratios are more powerful and better in the study of liquidity analysis with compare to traditional liquidity ratios and also gave a conclusion that even if there is sufficient amount of cash will be there with company, it will not show the liquid position or vice versa. It highlights the advantages of Cash Flow ratios in interpretation of liquidity position.

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## Company Profile

Sibar Auto Parts Ltd. Manufactures and sells cylinders for two wheelers in India. Sibar Auto Parts provides two stroke, four stroke, and blind-end cylinder blocks; and air cooler and water cooled cylinder heads. Sibar Auto Parts is listed in Ahmedabad Stock Exchange, Madras Stock Exchange, and Bombay Stock Exchange. The company was founded in 1983 and based in Tirupati, AP.



## Industry Profile

D-4 & D-5,, Industrial Estate, Renigunta Road

Tirupati; Andhra Pradesh; Map

Postal Code: 517506

Tel: 2274765/ 2271991/ 227

Fax: 227

Email: @yahoo.com

Website: <http://www.sibarauto.com>

Full name: Sibar Auto Parts Ltd.

Status: Listed

Legal Form: Public Limited Company

Operational Status: Operational

EMISid: 1629494

IN-CIN: L34201AP1983PLC003817

ISIN: INE441C01014

Incorporation Date: 1983

The Indian auto ancillary industry has come a long way since it had its small beginnings in the 1940s. If the evolution of the industry is traced in India, it can be classified into three distinct phases namely: Period prior to the entry of MarutiUdhyog Ltd, period after the entry of MarutiUdhyog Ltd and Period post Liberalization. The period prior to the entry of MarutiUdhyog Ltd was characterized by small number of auto majors like Hindustan Motors, Premier Automobiles, Telco, Bajaj, Mahindra &Mahindra, low technology and assured business for most of the auto component manufacturers.

### Objectives :

- To analyse Operational Activities of the company
- To know Investment Activities of the company
- To study financial activities of the company

### Need for the study :

- Cash flow statement classifies the activities of the firm into operating, investing, financing activities.
- To pay company expenses, bank loans, taxes and to purchase new assets
- To determine whether a business has enough cash to do or not
- It helps with financing decisions and analyzing the working capital
- It reveals the cash position and the result of cash planning
- It provides the details of where the money is spent

### Limitations of the study :

A cash flow statement is an essential tool of short-term financial analysis. However, it suffers from certain limitation such as:

- The manipulations made by the firm over a period by defining purchases or other payments, are not revealed by a cash flow statement. As such, it may not depict the true liquidity position of an enterprise.
- A cash flow statement is not a substitute for the income statement or funds flow statement. Each of these statements has a function to perform.

### Research Methodology

#### *METHODOLOGY OF THE STUDY:*

The method hired for doing the prevailing take a look at is that the records is accumulated from secondary assets. The facts become used to calculate the finances flows on the idea of these evaluation interpretations have been made.

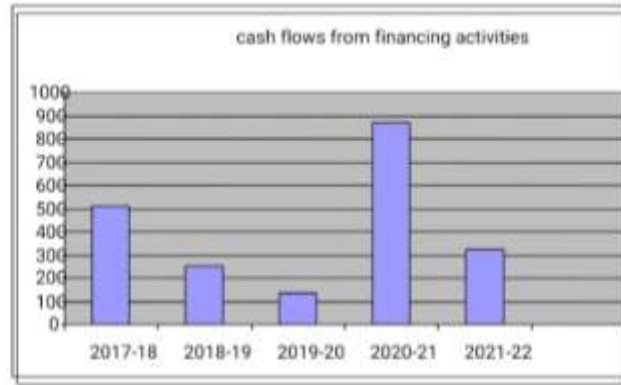
#### Data Sources

##### Secondary Data

The data which wascollected from the published sources of journals, books, magazines and annual financial reports.

#### *Data analysis and interpretation :*

FINANCING ACTIVITIES					
CASH FLOWS FROM FINANCING ACTIVITIES					
YEAR	2017-18	2018-18	2019-20	2020-21	2021-22
CASH FLOWS	509.10	250.78	136.09	872.50	319.43



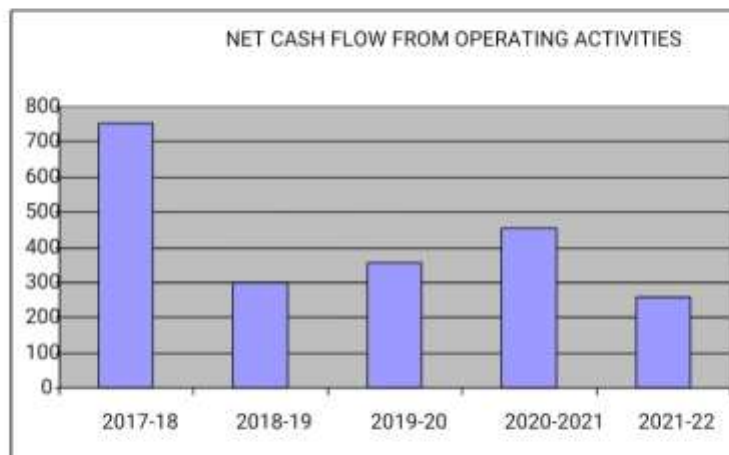
**INTERPRETATION:**

The above graph shows the cash flow from financing activities for the 5 years. For the period of 2021-22 the cash flow from Financing Activities increasing order 872.50, but the remaining year it was decreasing order.

**OPERATINGACTIVITIES:**

**NET CASH FLOW FROM OPERATING ACTIVITIES**

YEAR	2017-18	2018-19	2019-20	2020-21	2021-22
CASH FLOWS	755.57	298.97	355.74	456.62	257.72

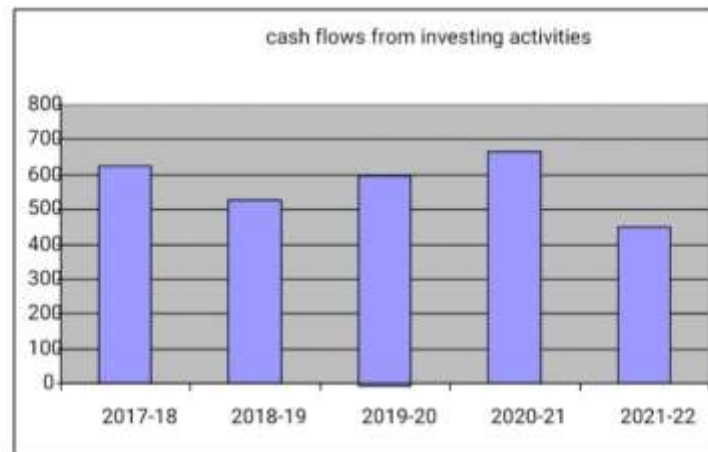


**INTERPRETATION:**

The above graph shows that the cash flows for 5 years. For the period of 2017-18 the cash flow from operating activities were in the increasing order 755.57, but in the where as the next years it was in decreasing stage.

**INVESTING ACTIVITIES**  
**CASH FLOWS FROM INVESTING ACTIVITIES**

YEAR	2017-18	2018-19	2019-20	2020-2021	2021-22
CASH FLOWS	622.12	526.18	605.14	668.35	449.85



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**INTERPRETATION:**

The cash flow from investing activities show for 5 years, for the period of 2020-2021 the cash flow from investing activities were in the increasing order 668.35, where as in the next years it was decreasing stage.

**Findings :**

- For the period of 2017-18 the cash flow from operating activities were in the increasing order 755.57, but when you compare to the next few years it was decreasing stages (2018-2022)
- For the period of 2020-2021 the cash flow from investing activities were in the increasing order 668.35, where as in the next years it was decreasing stage.
- For the period of 2021-22 the cash flow from Financing Activities increasing order 872.50, but the remaining year it was decreasing order

**Suggestions :**

- The company must reduce the operating expenses in order to increase company's profits.
- The company should decrease its current liabilities to increase its working capital.
- To improve the net profit margin of the company, the company need to increase the selling price with existing quality of the product.
- The company should invest on the quick earning assets and Investments
- Instead of allocating all profits as repayment of secured loans & payments of
- Dividends some portion should be retained to improve cash position for financing Activities

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- Trading activities should be operated effectively to generate more profits
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**Conclusion :**

It can be concluded that the company overall operating activities, Financial activities, investing activities are not satisfactory. The overall financial Position is not satisfactory and needs to be improved further in the future. So, Finally in my opinion they need to minimize their expenses and try to improve the Operational efficiency

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