



A Study on Cash Flow Management in Building Materials Industry

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ABSTRACT

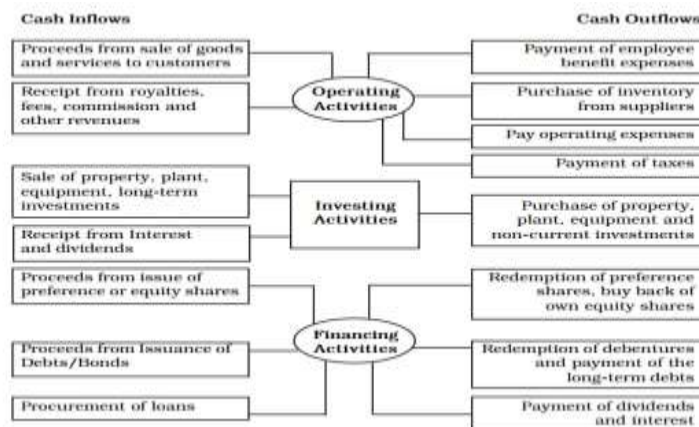
Aim/purpose: Effective cash flow management is crucial for the financial stability and success of any business. It provides an overview of the key components involved in analyzing and optimizing cash flow management strategies. It begins by defining cash flow management and its significance in maintaining liquidity and meeting financial obligations. It explores various methods for analyzing cash flow, including cash flow statements, cash flow forecasting, and ratio analysis. **Highlights:** It highlights common challenges businesses face in managing cash flow, such as seasonality, unexpected expenses, and changes in market conditions. **Strategies and best practices:** For improving cash flow management, such as implementing efficient invoicing and payment systems, negotiating favorable terms with suppliers, and maintaining adequate cash reserves. By implementing these strategies, businesses can enhance their financial resilience and position themselves for long-term success.

Key words:- cash inflows, cash out flows, operating, investing, financing activities etc.,

Introduction:-

The process of collecting and managing cash flows from the operating, investing, and financing activities of a company. Cash management is important for both companies and individuals, as it is a key component of financial stability. Cash is the primary assets individuals and companies use regularly to settle their debt obligations and operating expenses, example., taxes, employee salaries, inventory purchases, advertising costs, and rents etc. cash is used as investment capital to be allocated to long-term assets, such as property, plant, and equipment and other non-current assets. Excess cash after accounting for expenses often goes towards dividend distributions. Unfortunately, many businesses engage in poor cash management, and there are several reasons for the problem. Let us look at some of them:-1. Poor understanding of the cash flow cycle,2. Lack of understanding of profit versus cash,3. Lack of cash management skills, 4.bad capital investments. Here are some of the different types of cash management they are: cash flow from operating activities, free cash flow to equity, free cash flow to the firm, net change in cash.

The cash flow statement is divided into three parts; investing, financing, and operating activities. The operating part of cash activities is based heavily on the net working capital, which is presented on the cash flow statement as a company's current assets minus current liabilities. Businesses strive to make the current assets balances exceed the current liabilities balance.



Review of literature:-

Aghdas Jafari Motlagh, (2013) "According to him in his study he studies about how statement of cash flow is prepared and how it is differentiated from funds flow statement. The study used the secondary data collected from various websites, journals, etc. The found that funds flow statement is not useful in short term financial planning like cash flow statement because the cash is more important for execute the plan in short run as compared to working capital. Thomas Zeeker and Brian Stanko, (1990's) "This research paper studies about whether the cash flow ratio is useful for the financial ratio analysis of retail sellers. The study used the primary data to conduct this research. The study found that the cash flow statement for retail sellers is useful to find out the financial ratios and it is also found that not only based the accrual basis of accounting, the new and traditional accounting methods should be implemented to assess the economic status or financial position of retail firm. Ajay Paliwal, Mukesh Ahirrao and Rana, (2015) "According to him, the term cash flow statement is an important tool to analyze the financial performance of a firm and the cash flow changes can be identified only by comparing the financial position of a firm for two years. The study found the net changes in net cash in cash and its distribution in three business activities and also found the strength and weakness in cash flow statement. Jeffrey Hales and Steven Orpurt, (2013) "According to them they analyzed that though many financial statement users have given more importance to direct method, some of the financial statement users have given importance to indirect method of cash flow statement. They found that the direct method information is economically significant and that the recurring benefits that many firms derive from providing direct method information likely exceed recurring cost. Trotman and Gibbins (1998) Questions about the property, plant, and use of food, what is the cost basis for the guidelines. Changes to the computer program are the source of the money and the things money. This idea allowed us to sell non-cash or non-cash assets. is defined as the income and expenses and labor costs. Roger Hussey & Andra Ong (2009) In general, the flow of funds for the development of the amount of money used for economic and. Adhikari and Duru (2010) It has no way to reduce operating costs, suggesting a lower pay rate. They have funds to help them not be able to produce the product, given the level of investment rate needed to calculate this amount. They pay on investments and credit to reduce the amount of money needed for a post-lease payment, while at the same time choosing the options for understanding the remaining free cash flow will be linked to the free cash flow. PhD. Prof. Ioan Batrancea (2010) Financial reporting is crucial for the development of future cash flow in a newsletter. But it is important in analyzing future cash flow data that cannot be elucidated. But researchers have been trying to figure out how it feels like in the future and the value of money. Orpurt & Zang (2010) Pay-per-view predictions especially in indirect ways. start to happen, company records, the basic information, the annual report, and annual report profit or loss Energy Projects Ltd. implemented through a collection of scientists. The Company uses the information for analysis and interpretation of financial instruments. Charles, E. Jordan and Marilyn A. Waldron (2010) Based on payout interference for future wearable shoes, which is believed to be a good fit. As such, some basis completes financial statements, financial managers and other users would be better off. Melik Serhat (2010) This is part of the construction industry because the cash flow of construction projects is at the highest risk level, the most important network, and it plays an important role. As such, it is important to consider changes in payment planning conditions for construction projects and the risk of uncertainty about cost control and methodology. The purpose of the study was to understand the nature of cost-effectiveness and planning, as well as of course the involvement and surprise of some theoretical models and applications of real-time optimization models.

Objectives of the Study:-

- To study the cash position of the company.
- To study the cash flows from operating, financing and investing activities of the company.
- To study the liquidity position of the business.
- To give suitable suggestion based on the finding of the study.

Research Methodology:-

This research paper adopts the descriptive method of the study, where it has the cash flow statement in fusion building materials for the term of five years 2019 to 2023. The research was conducted by using the secondary data collected from various websites, articles, journals, books, etc.,

Need & importance:-

Management of cash is an important function of modern business. Studying the cash flow statement is important to understand a company's financial health. It shows how cash moves in and out of a company. Analyse changes in cash and non cash items to assess the company's cash generation and liquidity.

Scope of the Study:-

1. The present study is under taken with an intension that it would be helpful in assessing the cash position in the organization and to make recommendation for the improvement of the cash requirements.
2. The study also highlights the cash management of fusion building materials company.
3. Analyze cash inflows and outflows from the core operations of the company.

4. The study is done for a period of 5 years that is from 2018-2019 to 2022-2023.

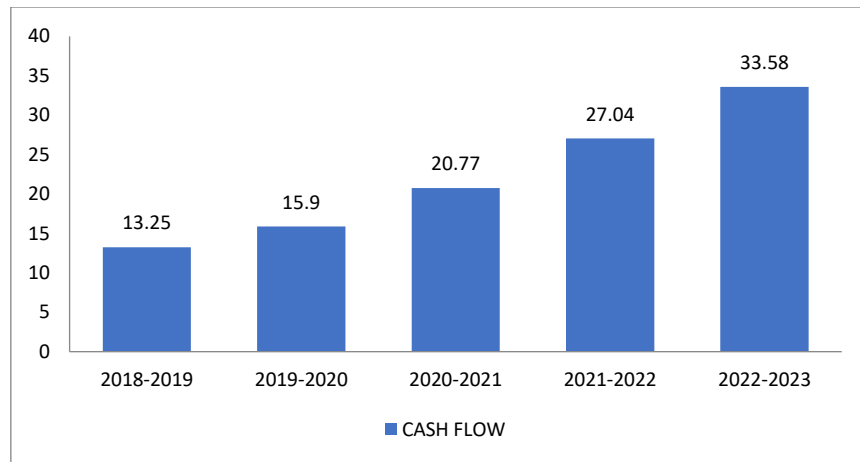
Data analysis & interpretation:-

Table-1:- Operating Activities:

Net cash flow from operating activities (Rupees in Crores)

YEAR	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
CASH FLOW	13.25	15.90	20.77	27.04	33.58

Graph:



Interpretation:

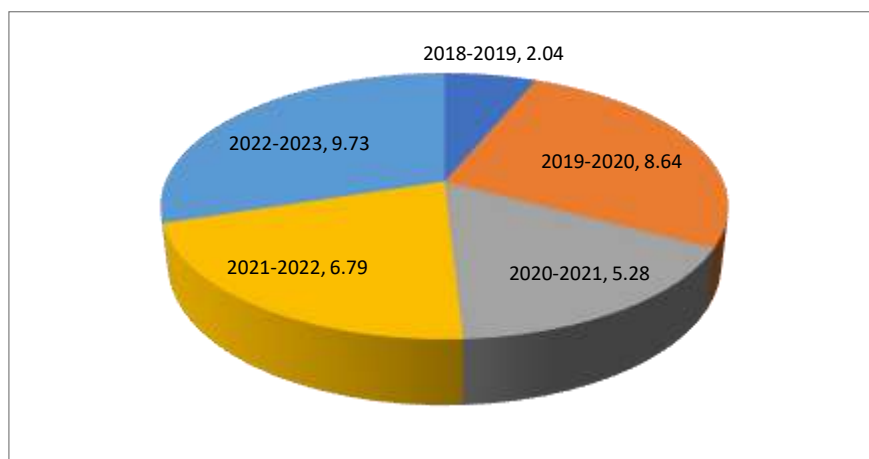
- ◇ In the above table shows that the operative activities continuously increased year by year.
- ◇ Net cash flow from operating activities in the year 2018-2019 is 13.25 crores it is increased upto 15.9 crores in the year 2019-2020 ,due to the profit before tax by compare to previous year.
- ◇ In the year 2022-2023 is Rs. 33.58 crores highly increased due to profit before tax and operating activities are high than the previous year (2021-2022).

Table-2:- Investing activities:

Net cash flow from investing activities (Rupees in crores)

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Cash flow	2.04	8.64	5.28	6.79	9.73

Graph:

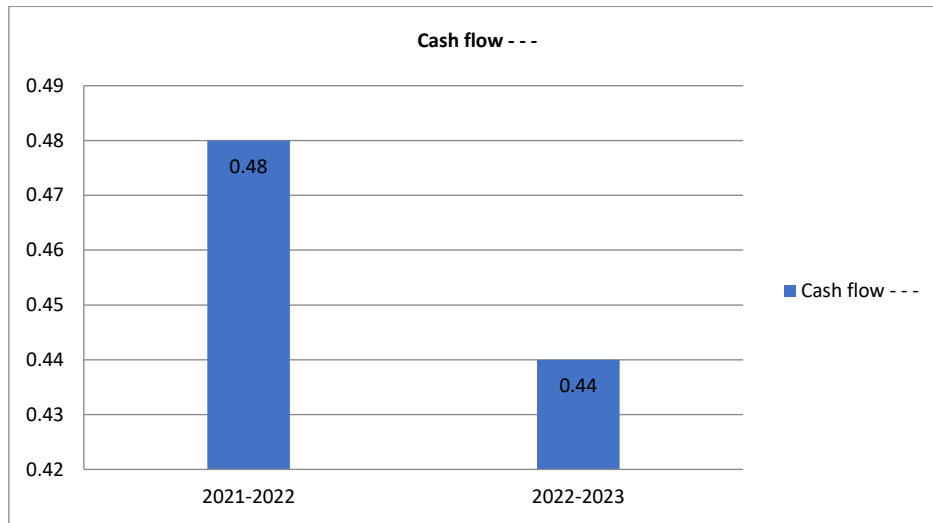


Interpretation:

- ◇ Net cash from investing activities in the year 2018-2019 is Rs.2.04 crores is low than remaining years due to purchase of investments.
- ◇ In 2019-2020 the net cash from investing activities are raised upto Rs .8.64 creores due to sale of fixed assests and more inflows.
- ◇ Again it decreased in 2020-2021 Rs.5.28 crores but after two years the investing activities are raised due to high sales and low purchases.
- ◇ In the year 2022-2023 is raise upto Rs. 9.73 crores because it has high sales activities than previous year.

Table:-3: Financial Activities:**Net cash flow from financial activities (Rupees in crores)**

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Cash flow	-	-	-	0.48	0.44

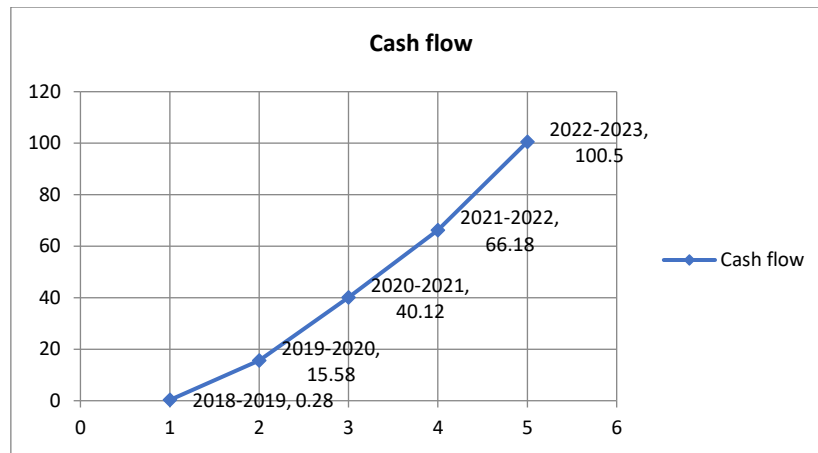
Graph:**Interpretation:**

- ◇ As seen from the above net cash from financing activities in three years there is no cost for financial activities.
- ◇ In the year 2021-2022 it raise the financial cost never before Rs.0.48 crores due to high borrowings .
- ◇ In the last year (2022-2023) Again it decreases to Rs 0.44 crores due to high interest paid expenses than previous year but borrowings are same in both years.

Table :-4: Net cash flow from beginning of the years:**Net cash and cash equivalents generated in beginning year(Rupees in crores)**

year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Cash flow	0.28	15.58	40.12	66.18	100.50

Graph:



Interpretation:

- ✦ The above graph shows that the beginning cash used in cash flow statement.
- ✦ In the year 2018-2019 the cash cost is very low i.e., Rs.0.28 crores compared to remaining years.
- ✦ But again it continuously increased year by year even it has no financial activities in starting three years.
- ✦ In the last year it raised Rs .100.50 crores due to financial activities and high sales in investing activities.

Findings:

- The analysis shows that the cash flows from the operating activities has no fluctuations, it increased year by year.
- But operating activities outflows are high in every year than the non-cash activities and working capital changes.
- When comes to investing activities, there is some fluctuations in starting three years but again it increased continuously.
- In this company there is no financial activities in starting three years but again it started high cost in 2021-2022 again it decreased in last year 2022-2023.
- Cash flow at the beginning showed low cost in 2018-2019 but the last year it raise up to Rs.100.50 crores.

Suggestions:

- ❖ Conduct a thorough analysis of operating expenses to identify areas where cost reduction and optimization is possible.
- ❖ When it comes to investing activities , there is no high fluctuations in this company its better to maintain as now.
- ❖ It also focuses on investment activities not only for insurance operations.
- ❖ It is poor in financial activities it's need to hire financial expertise or professionals who can guide and execute financial strategies.
- ❖ Conduct a thorough assessment of the company's financial situation to understand the reasons for the lack of financial activities . Identify any financial challenges ,liquidity issues that may be contributing to the situation.

Conclusion :

Cash flow statement show how this company have performed in managing inflows and outflows of cash .There is no high fluctuating trend in any activities in this company , but the company should plan its financial activities properly to prosper in future and tries to get more inflows from investing activities.It also plan to reduce operating activities because more operating expenses affecting financial stability.It eats into company revenue and reduce its net income or even it leads to losses.Then the company increase premium amount to cover its losses it leads to loss customers and less competitive in the market.

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