"A STUDY ON CASH FLOW ANALYSIS IN MURUGAN ARUL EXPORTERS"

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ABSTRACT

Cash flow management is the process by which a company collects and manages cash, as well as uses it for (in a broader sense) investing. It is a critical component of ensuring a company's financial stability and solvency. In the business of anything done financially affects at the end, cash is the revocation for every business, each and every company has to have cash on hand and have at least access to cash in order to be able to pay for the goods and services it uses and, in turn, to stay in business as on simple it can be said that the organisation has to be capable of directing its current operation. Cash flow in a business is a two-way street. Its tenacity in moving in and out of business. The inflow and outflow of cash can never coincide; therefore, cash management is one of the most effective tools for maintaining and managing the king of business, cash. Cash flow management can be done effectively using various cash management techniques that are currently in use. working of various cash management methodologies such as cash flow simultaneity, growing up collection controlling payments, cash flow predicting, and so on. The efficient aspect of cash management that is random and unique to it is time dimension organised with the movement of cash. The priority goal of cash management is to ensure that there is enough cash accessibility when the need arises, not too much but never too little.

Keywords: cash flow, cash management, and ratio

CHAPTER – I

1. INTRODUCTION

Finance is one of the most efficient primary requirements of a business, and modern management clearly depends on the efficient management of finance. Financial queries are primarily prepared for decision-making purposes. They have a deciding role in establishing the framework for managerial decision-making. At the end of the right time to preserve solvency from the right basic and at the right flow capital cost.

Financial analysis is also known as analysis and interpretation of financial statements, and it refers to the actions of regulating financial strength of power and weakness of the solid by extending the strategic relationship between the items of the Balance Sheet, Profit and Loss account, and other operational data. The benefit of financial analysis is that it distinguishes the information contained in financial statements, making it easier to judge the firm's profitability and financial statements..

Understanding Cash Flow Analysis

A cash flow statement is one of the most important financial statements for a project or business. The statement can be as simple as a page analysis or it can include several schedules that import data into a central statement..

A cash flow statement summarises the cash flows into and out of the company or project. Consider it similar to your bank's checking account. Deposits are cash inflows, while withdrawals (checks) are cash outflows. The balance in your checking account represents your net cash flow at a given point in time. A cash

flow statement is a collection of cash flows that occurred during the previous accounting period. A cash flow budget is a forecast of expected future cash flows. A cash flow budget can be thought of as a projection..

A cash flow statement is concerned not only with the amount of cash flows, but also with the timing of the flows. Many cash flows are constructed using multiple time intervals. For example, it could include a list of monthly cash inflows and outflows over the course of a year. It is not only concerned with the cash balance remaining at the end of the year, but also with the cash balance for each and every month..

CHAPTER – II

2.1 OBJECTIVE OF STUDY

- To research and analyse the cash flow analysis in murugan arul exporters from 2016 to 2020.
- Research and analyse the company's short-term solvency and liquidity position.
- Using financial ratios to assess financial performance and operations
- To understand the impact of various cash flows and the company's financial performance.
- To research and analyse the cash flow analysis in murugan arul exporters from 2016 to 2020.

2.2 NEED FOR THE STUDY

- The significance of cash management in any industrial enterprise cannot be overstated.
- The current research, titled "A STUDY ON CASH FLOW ANALYSIS IN MURUGAN ARUL EXPORTERS," has been undertaken..

2.3 SCOPE OF THE STUDY

- The financial analyst acts a amid role in the economy country.
- They provide needed instrument and the employment to setup versatile industries importance for a nation to construct strong economy.
- This report has been done basically on analyzing the theoretical and practical practices of Financial Analysis & Valuation.
- The report in this study is basically an empirical one.
- Two various types of systems have been got selected there based on benefits.

2.4 LIMITATIONS OF THE STUDY

- Secondary data, such as annual reports of Murugan Arul Exporter, is collected from the company's website, implying that the accuracy of the study's results is dependent on the accuracy of the data provided by the company.
- The study only spans five years (2015 to 2020)
- Each of the methodologies and ratio statistical tools used in this study has its own set of limitations.

CHAPTER - III

REVIEW OF LITERATURE

Rupa Rege Nitsure and Mathew Joseph (2018) in their study titled, "Liberalisation and the attitude of Indian Industry determined the content of economic recollection on productive measurements creation and implementations along versatile companies in the nineties. The output recommended that although considerable achievements happened basically in creation and implementing of capacities in the different industries, there is consort room for additionally upgrade in utilization. It examined the determinants of capacity use such as credit flows, bring in liberalization, fiscal alloy and demand conditions, using panel data for 802 concern for the period 5years to consideration an optimum combination of policies that is condemnatory for realizing the unused capacity.

Aggarwal and Singla (2017) in their study developed a single index of financial performance through the technique of Multiple Discriminant Analysis (MDA), They attend to identity from along the 11 ratios, used as inputs, those ratios, which are applicable in discriminate between profit making units and loss making units in Indian paper business industry. The study designate that model has correctly classified 82.14 percent of units selected as profit for making and the loss marking. The efficient study as well as shows that inventory turnover ratio, interest coverage ratio, net profit to total assets and earning per share that are the most important indicators of financial showing. The study also propose that the results of MDA could be used as visionary of future profitability / sickness.

Joanne Loundes (2017) in the study „The Financial performance of Australian Government Trading Enterprises Pre-and Post-Reform" revealed that during the 1990's there were several measures introduced to improve the efficiency and financial performance of government trading enterprises in Australia. The purpose of this study was to discover whether there had been any change in the financial performance of government trading enterprises operating in electricity, gas, water, railways and ports industries as a result of these changes. The study reveals that it does not appear to have been a noticeable enhancement in the financial performance of most of this business, although railways have improved slightly, from a low base.

Mark Rogers (2017) in this research of the effect at astringent on firm performance analyses the league between diversification and firm performance in a sample of up to 1449 huge Australian firms. Firm performance is steady by profitability and, for quoted firms, market value. Output from the full sample showing that many more aimed firms have a higher profitability. This result authority for firm particular effects and other determinants of profitability. Nevertheless, this coalition is not found in subsample regressions for listed firms. This is true both when one or more profitability or market value is used as a performance measure. The results may designate that listed firms may be under closer scrutiny and aggressive pressures that make sure, on average, that these firms are at their suitable degree of diversification.

Wolfgang Aussenegg and Ranko Jelic (2016) To determine the operating performance acts of 154 Polish, Hungarian and Czech companies that were fully or partially nnonpublic between January 1990 and December 1998. The study38 reveals that privatized firms in the sample did not manage to increase profitability, and significantly reduced efficiency and output in the post privatization period. Endeavour non public via mass privatization programs (Czech SOEs) achieved lower profitability in the post-privatization period compared to their counterparts privatized via case- by – case method. Czech industries have also maintained much higher bank borrowings after privatizations than their polish and Hungarian counterparts.The study further reveals that private sector IPOs underperforms their privatization counterparts in terms of profitability, efficiency, capital investments and output. Dr. S. Rajamohan, A. Abila, A.

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CHAPTER- IV

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4.1 RESEARCH METHODOLOGY
4.1.1 Research Design

The arrangement of conditions for data collection and analysis in such a way as to combine the relevance of the research design in the conceptual structure within which research is conducted is known as research design. It denotes the design for data collection, quantification, and analysis..

4.1.2 Data Collection

The method used in this study is secondary data. Secondary data is data that is already variable. They were referring to data that had already been collected and analysed. The information was gathered from a few

annul reports and the company's website. The required data for the study are primarily secondary in nature, and they are gathered from the company's audited reports..

4.1.3 Period of the Study

The data was gathered from the company's annual reports from 2015 to 2020.

4.1.4 Analytical Tools for the study

Various tools were used by the researcher during the course of the research for data analysis and interpretation, as shown below.

- Ratio analysis

- Trend analysis

CHAPTER-V
DATA ANALYSIS & INTERPRETATION

5.1 Absolute Quick Ratio/cash Ratio

Cash ratio is the strongest measurement of liquidity. Since cash is the most liquid assets, a financial analyze may examine cash ratio & its equivalent to current liabilities. Trade investments or marketable securities are equivalent of cash therefore they may be included in computation of cash ratio.

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

Table 5.1. Absolute Quick Ratio/cash Ratio

Year	Quick Assets	Current Liabilities	AQR
2015-2016	2576932	141205546	0.01
2016-2017	4896521	224758035	0.02
2017-2018	128313276	802862101	0.17
2018-2019	127813793	868538140	0.15
2019-2020	170711841	774530918	0.22

INTERPRETATION

Table 5.1 shows that the absolute quick ratio is less than the standard ratio, i.e. 0.5:1. This means that 50 paisas of absolute liquidity assets must be maintained to meet one rupee of current liabilities. In the years 2015-2016, the ratio was 0.01; in the years 2016-2017, the ratio was 0.02; and in the years 2017-2018, the ratio increased by 0.17; and in the years 2018-2019, the ratio decreased by 0.15; and in the years 2019-2020, the ratio was 0.22, indicating that there is insufficient liquidity in a firm..

CHART 5.1 Absolute Quick Ratio/cash Ratio
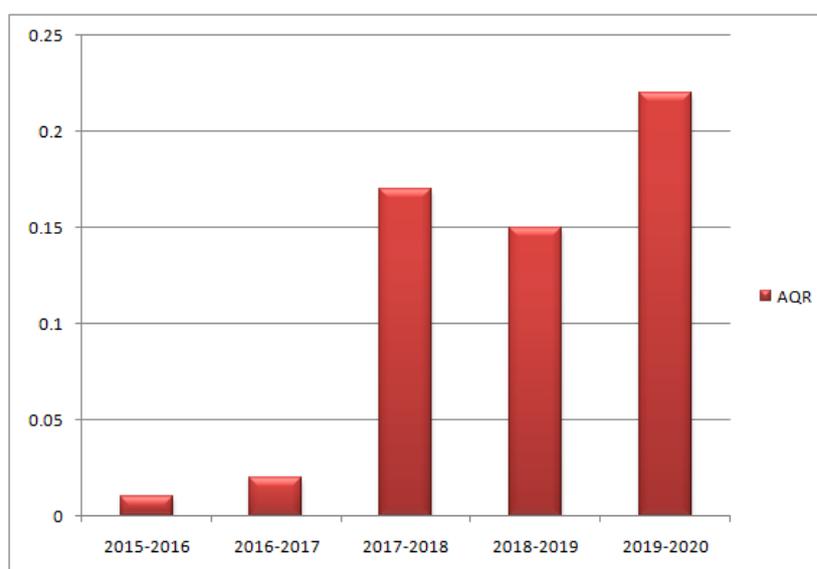
5.2 Net Working capital ratio

The net working capital ratio is the ratio of net working capital to net assets. Net working capital (NWC) or net current assets is the difference between current assets and current liabilities excluding short-term borrowing.

Net Working capital ratio =NWC/Net Asset

Table 5.2 Net Working capital ratio

Year	NWC	Net Asset	Ratio
2015-2016	96946913.00	154465865.00	0.09
2016-2017	47535001.00	948118650.00	0.05
2017-2018	15245938.00	568828076.00	0.07
2018-2019	51045769.00	570188858.00	0.11
2019-2020	914230.00	571266078.00	0.16

INRTEPRETATION

Table 5.2 shows that the ratio is decreasing from 2015-2016 to 2016-2017. 0.09 to 0.05, with a 0.07 increase in 2017-2018, a 0.11 increase in 2018-2019, and a 0.16 increase in 2019-2020. A high ratio is generally regarded as desirable.

CHART 5.2 NET WORKING CAPITAL RATIO
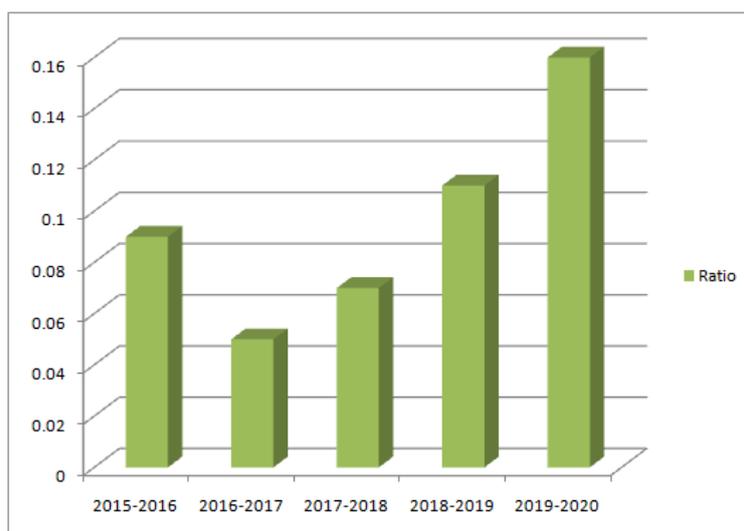
5.3 Total Debt Ratio

Debt ratio may be used to analyze the debt ratio by dividing Total debt (T.D) by dividing Capital employed (C.E) or net assets (N.A).The total debt include short and long term borrowing from financial institutions, debentures, bounds, deferred payments, arrangements for buying capital equipment's bank borrowings, public deposits etc.

Debt Ratio = Total Debt /Capital Employed

Table 5.3 Total Debt Ratio

Year	Total Debt	Capital Employed	Ratio
2015-2016	554110249.00	6788463.00	0.82%
2016-2017	499246293.00	623250062.00	0.80%
2017-2018	547168647.00	217530000.00	2.61%
2018-2019	565092766.00	218018495.00	2.59%
2019-2020	627397167.00	223983274.00	2.80%

INTERPRETATION

Table 5.3 Debt ratio is in the year 2015-2016 is 0.82 in the year 2016-17 decreased 0.80 in the year 2017-18 increased 2.61 in the year 2.59 and 2019-2020 reached at 2.80

CHART 5.3 TOTAL DEBT RATIOS
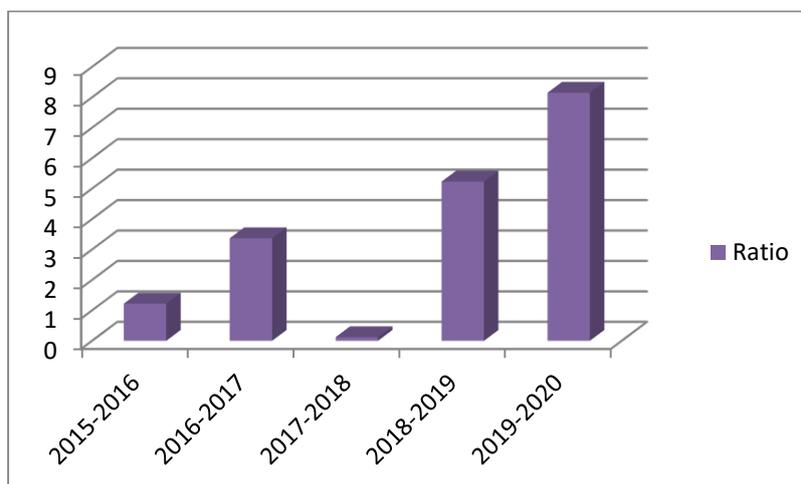
5.4 Debt-Equity Ratio

Debt-Equity ratio shows the relative contribution of creditors and owners. Debt-Equity also known as External-Internal equity ratio. It is calculated to measure the relative claims of outsiders against firm assets.

Debt equity ratio=long term debt/share holders equity

TABLE-5.4 Debt Equity Ratio

Year	Total Debt	Net Worth	Ratio
2015-2016	554110249.00	43052429.00	0.61
2016-2017	499246293.00	63171947.00	0.62
2017-2018	547168647.00	568828076.00	0.52
2018-2019	565092766.00	570188858.00	0.82
2019-2020	627397167.00	571266087.00	0.93

INTREPRETATION

Table 5.4 reveals that in the company the lenders contribution is increasing year by year. In the year 2015-2016 0.61 and 2016-2017 0.62 in the year 2017-2018 decresed 0.52 in the year 2018-19 ratio is 0.82 in the year 2019-2020 increases0.93 year 2017-2018 0.52 Ratio shows the relationship describing the lenders contribution for each rupee of owne's contribution.

CHART 5.4 DEBT-EQUITY RATIO
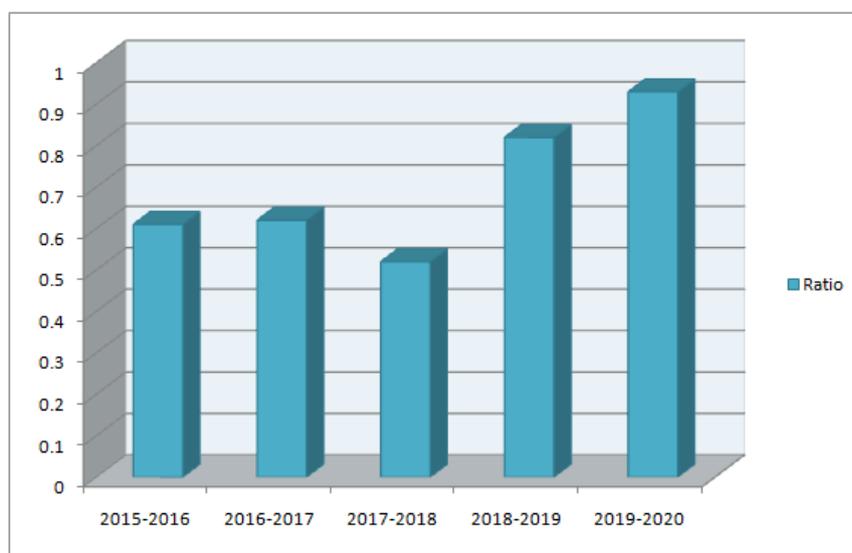
5.5 Fixed Assets to Net Worth

This ratio establishes the relationship between fixed assets & Shareholders fund i.e. Share Capital plus reserves & Surplus & retained earnings. The ratio can be calculated as follows.

Fixed Assets to Net worth Ratio = Fixed Assets (After Depreciation) X 100

Shareholder's fund

Table 5.5 Fixed Assets to Net Worth

Year	Fixed Assets	Shareholder Fund	Ratio
2015-2016	563374006.00	217335000	2.59
2016-2017	564147519.00	217400000	2.59
2017-2018	568828076.00	27530000	2.61
2018-2019	570188850.00	218018495	2.62
2019-2020	571266087.00	223983274	2.55

INTREPRETATION

Table 5.5 reveals that percentage of fixed assets value contributed by its owners is increasing year by year, in the year 2015-2016 and 2016-17 ratio is 2.59.in the year 2017-18 increases 2.61 in the year 2018-19 increases 2.62 in the year 2019-2020 decreases 2.55

CHART 5.5 FIXED ASSETS TO NET WORTH
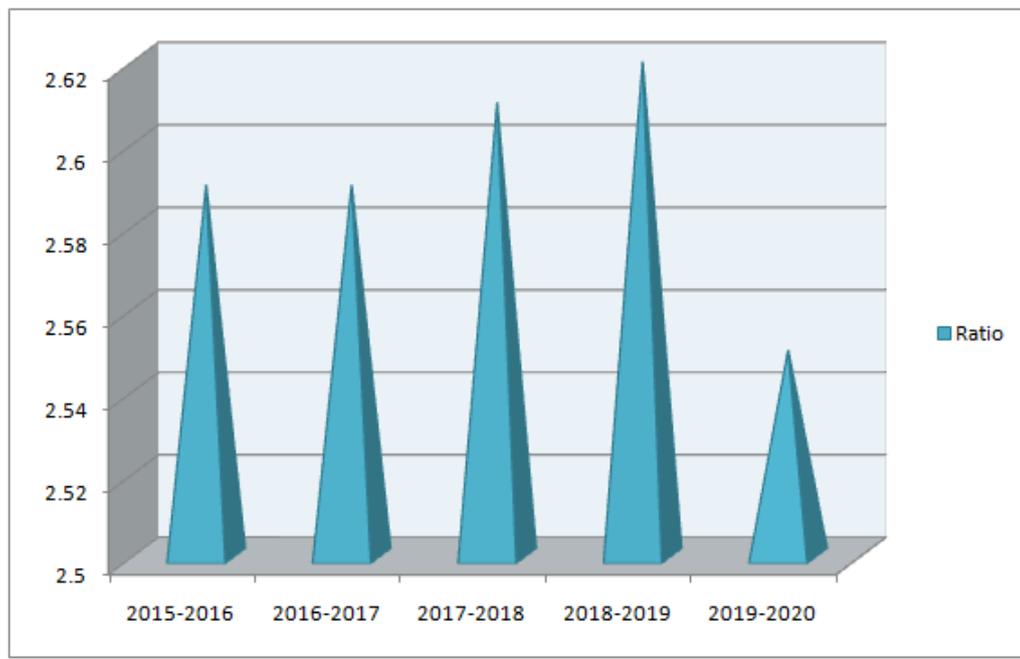
CHAPTER – VI

6.1 FINDINGS

- In the fiscal year 2017-18, the gross profit ratio was 21.65 percent.
- In the fiscal year 2017-18, the net profit ratio was 11.26 percent.
- In 2017-18, the operating ratio was 100.8 percent.
- In the fiscal year 2015-2016, the expense ratio was 31.03 percent.
- Inventory Turnover Ratio in 2019-2020 is 2.44 percent. Net Asset Turnover Ratio in 2019-2020 is 0.504 percent.

6.2 SUGGESTIONS & RECOMMENDATIONS

- The company's current ratio and Quick ratio do not meet the standard ratio, so the company should focus on increasing the current ratio by increasing current assets and Quick assets.
- The company's debt ratio has risen year after year.
- A high debt ratio is detrimental to the company.
- If your net profit ratio is low, you should try to increase sales and reduce your investment in fixed assets.
- The company must maintain a good inventory turnover ratio by increasing sales, and the working capital turnover ratio must be increased for efficient working capital utilisation.

6.3 CONCLUSION

This study demonstrates that the firm must do more than streamline its cash management system; it must also allocate better cash management policies. The majority of the cash balance in excess of the analysis requirement would add nothing to the vision at the system's point of entry. If it is not used properly, it will undoubtedly have a negative impact on its profitability.

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