

# P9A Study on Cash Flow Dynamics of The Metal Industries Ltd, Shornur

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**Abstract**—A study has been carried at the The Metal Industries Ltd to study the cash flow analysis of three years. Finance is a field that is concerned with the allocation of assets and liabilities over space and time often under conditions of risk and uncertainty. The main objective of the study was to study about the cash flow statement and cash flows from various activities for three years. The need for the study is to know regarding cash generated and used in operating, financing and investing activities. It is also needed to know the liquidity position of the company and cash available to meet the urgencies. The type of research design that is undertaken for the study was empirical research design. It is founded that the current liabilities are higher than the cash and bank balances, the current assets are less than the current liabilities, net sales are increased than operating expenses. It is also revealed that the company faces financial strain with liabilities surpassing assets, weak solvency due to excessive fixed asset purchases, inefficient asset utilization leading to low profitability and ROI, net losses despite occasional profits, poor liquidity, and inadequate debt coverage. The company should take necessary steps to increase the current assets and decrease the current liabilities to meet the short-term obligations. This study says it is essential to make proper management and control on cash flows for better performance of the company.

**Index Terms**— cash flow analysis, cash operating activities, cash flow statement.

## 1. INTRODUCTION

The movement of cash into and out of a business, called cash flow, is an important indicator of its financial health. A positive cash flow means that more money is coming in than going out and indicates that there is enough solvency to meet financial obligations. Alternatively, a negative cash flow may indicate potential liquidity problems when expenses are greater than income. Although crucial for assessing liquidity, the statements should not be seen as isolated systems. Cash flow analysis is important for showing how an enterprise accesses funds and allocates resources; it helps with forecasting and liquidity assessment. Was referred to as the Cash Flow Statement, there is a reflection of liquidity position through the statement of cash flows which were. While balance sheets and income statements apply accrual accounting where revenue recognition coincides with related expenses over time, the statement only records actual receipts or dispositions, excluding non-cash items such as depreciation or bad debts.

### 1.1 INDUSTRY PROFILE

For India, its metal industry, particularly its steel production, is one of the cornerstones in the country's economic development. Ever since the establishment of Tata Iron and Steel Company in Jamshedpur in 1907 and the subsequent opening of steel plants in Bhadravathi and Burnpur, the metal industry had been key in propelling the country through its industrialization journey. However, it wasn't until after independence that the steel sector could truly flourish. After the nationalization of Tata's plants and their transfer

to the Steel Authority of India Ltd., the sector significantly increased its capacity measuring and, eventually, propelled India into steel self-reliance, a cornerstone in industrial development and infrastructure development.

India's metal industry extends beyond steel, encompassing heavy engineering and machine tool sectors crucial for various sectors like mining, construction, agriculture, and power generation. Special alloy steels undergo meticulous processes to meet quality standards. With abundant natural resources like copper and iron ore, India is a significant player in metallurgy, rooted in ancient metalworking techniques. While traditional tools remain vital in agriculture, there's a noticeable shift towards mechanization, driven by technological advancements. This evolution highlights India's metal industry's ability to innovate and adapt to meet diverse sectoral needs both domestically and globally.

## 1.2 COMPANY PROFILE

Established in 1928 in Shoranur, Kerala, The Metal Industries Limited stands at the forefront of manufacturing agricultural implements, craft tools and hand tools in South India Originally a public limited company, it has evolved went into government ownership in 1980 to become the leading company in the industrial sector of the Malabar region. Branded under "TUSKER", METIND products are known for their quality, durability and reliability, setting a high standard in the industry.

With an extensive manufacturing facility spread over 24 hectares, The METAL industries Ltd uses high-carbon steel to manufacture its range of products, which are essential in agriculture and handicrafts Its offerings, including sledge hammers, spades and axes ,caters to the company's needs of domestic and international customers markets The commitment to quality is evident in the quality of its products, which include specialty steels combined with the use of scientific manufacturing techniques to ensure resistance to wear, tear and corrosion

The Metal Industries Ltd continues to thrive due to an unwavering focus on delivering excellence even in the face of competition from local competitors such as Mayil Vehicle, Radico and Simco Being in close proximity to competitors, Metal Industries for its decade tens of thousands of knowledges and reputation serve to maintain its market position. Looking to the future, the company aims to expand its presence globally, leveraging its renowned reputation and high-quality offerings in the agricultural equipment sector.

## 2. LITERATURE REVIEW

**Priya Sharma (2024)** Sharma's study highlights the transformative impact of technology on cash flow management within the Indian context. By analyzing the adoption of digital payment systems, fintech solutions, and data analytics tools, Sharma illustrates how Indian businesses are revolutionizing their approach to cash flow management, driving efficiency and competitiveness.

**Wei Chen (2023)** Chen's research provides a broader perspective by exploring global trends and innovations in cash flow analysis. By examining data from multinational corporations, Chen identifies key drivers shaping cash flow management strategies in an interconnected world economy. His study emphasizes the role of technology and data analytics in enhancing forecasting accuracy and mitigating financial risks across borders.

**Emily Johnson (2023)** Johnson's study focuses on the impact of economic uncertainty on global cash flow analysis. By delving into factors such as trade tensions, geopolitical instability, and regulatory changes, Johnson examines how economic uncertainties influence cash flow dynamics for multinational corporations. Her research offers practical insights for firms seeking to navigate turbulent economic conditions and maintain liquidity across diverse markets.

### 3. OBJECTIVES

- To study about the cash flow statement analysis of The Metal Industries Ltd.
- To ascertain cash flows from various activities.
- To study the impact of cash flow on the liquidity and profitability of the company.

### 4. SCOPE OF THE STUDY

The study is based on the accounting information of the Metal Industries Ltd. The study covers the period of 2021-2023 for the analyzing the cash flow analysis from balance sheet and income statements. The study focuses on The Metal Industries Ltd.'s cashflow analysis helping management to make corrective decisions accordingly.

### 5. LIMITATIONS OF THE STUDY

- The analysis based on secondary data, which may not be adequate to know the exact position.
- Tools and techniques used for analysing financial statements have their own limitations.
- Personal bias in the process of analysis and interpretation was also a constraint.

### 6. RESEARCH METHODOLOGY

#### 6.1 RESEARCH DESIGN

The research design employed in this study is Empirical research design.

#### 6.2 SOURCES OF DATA

The study integrates primary and secondary data, recognizing their collective significance in providing comprehensive and relevant information essential for the research. Here, in this study secondary data are used for the analysis.

#### 6.3 DATA ANALYSIS TECHNIQUES

- Cash flow statement
- Trend analysis
- Ratio analysis

### 7. DATA ANALYSIS

#### 7.1 CASH FLOW STATEMENT

Table 7.1. table showing statement of cashflows of the year 2023

Statement of Cash Flows
FOR THE YEAR ENDED 31 <sup>st</sup> MARCH 2023 ₹ in lakhs

<b>Net profit/loss before tax</b>	<b>-170.87</b>
<b>Net cash from operating activities</b>	<b>-106.67</b>

<b>Net cash used for investing activities</b>	<b>-26.4</b>
<b>Net cash from financing activities</b>	<b>61.5</b>
<b>Net increase/ decrease in cash</b>	<b>-71.57</b>
<b>Add: cash/ cash equivalents at beginning of the year</b>	<b>94.54</b>
<b>Cash/ cash equivalents at end of the year</b>	<b>22.97</b>

(source: annual report: cash flow statement 2022-23)

### Interpretation:

The statement shows decrease in the net cash (-₹71.57 lakhs), revealing that cash outflow is higher than cash inflow.

Table 7.2. table showing statement of cashflows of the year 2022

<b>Statement of Cash Flows</b>	
FOR THE YEAR ENDED 31 <sup>st</sup> MARCH 2022 ₹ in lakhs	
<b>Net profit/loss before tax</b>	<b>-163.78</b>
<b>Net cash from operating activities</b>	<b>51.36</b>
<b>Net cash used for investing activities</b>	<b>-261.64</b>
<b>Net cash from financing activities</b>	<b>154.61</b>
<b>Net increase/ decrease in cash</b>	<b>-55.67</b>
<b>Add: cash/ cash equivalents at beginning of the year</b>	<b>150.19</b>
<b>Cash/ cash equivalents at end of the year</b>	<b>94.52</b>

(source: annual report: statement of cash flows 2021-22)

### Interpretation:

The above statement showcases net decrease in cash. The cash flows from operating activities are improving in nature while investing is deteriorating. Cash and cash equivalents in the end of year is lesser than in the starting.

Table 7.3. table showing statement of cashflows of the year 2021

<b>Statement of Cash Flows</b>	
FOR THE YEAR ENDED 31 <sup>st</sup> MARCH 2021 ₹ in lakhs	
<b>Net profit/loss before tax</b>	<b>-169.08</b>
<b>Net cash from operating activities</b>	<b>-139.85</b>
<b>Net cash used for investing activities</b>	<b>-7.36</b>
<b>Net cash from financing activities</b>	<b>291.46</b>
<b>Net increase/ decrease in cash</b>	<b>144.25</b>
<b>Add: cash/ cash equivalents at beginning of the year</b>	<b>5.93</b>

<b>Cash/ cash equivalents at end of the year</b>	<b>150.18</b>
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(source: annual report- cash flow statement 2020-21)

**Interpretation:**

The above statement interprets that the company has achieved net increase in the cash balance, after a long period of continuous negative results. It states that positive cash flow with cash inflows higher than outflows.

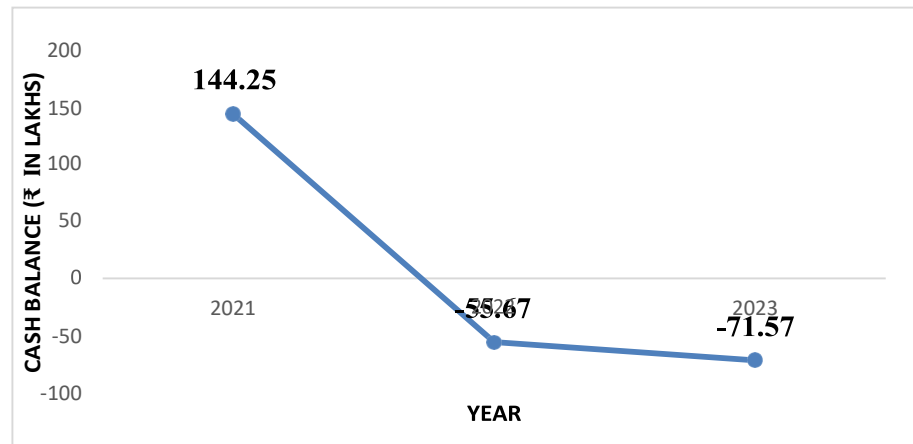
**TREND ANALYSIS**

Table 7.4. table showing increase or decrease in cash

YEAR	2021	2022	2023
Net decrease/ Increase in Cash (₹ in lakhs)	144.25	-55.67	-71.57

(source: cash flow statements from 2021-2023)

Fig.1 chart showing net increase or decrease in cash

**Interpretation:**

The above graph, Figure 1 showcases the net change in cash balance. In the year 2021 the company had an increase in cash balance by (₹144.25 lakhs) but in the next two years it started to decrease. In 2023 it shows a decrease of (-₹71.57 lakhs).

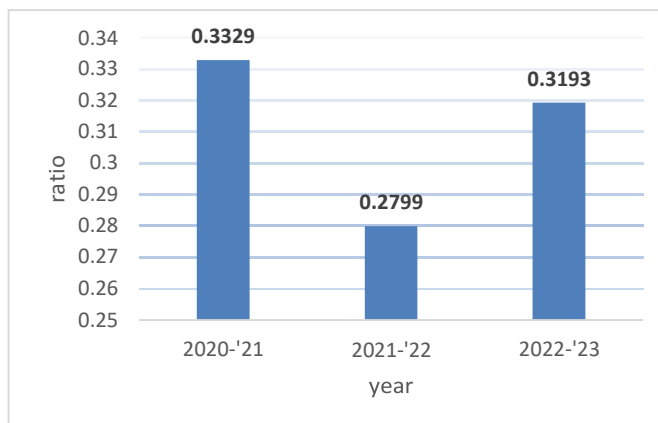
**RATIO ANALYSIS:****CURRENT RATIO:**

Table 7.5. table showing statement current ratios 2021-23

YEAR	2020-'21	2021-'22	2022-'23
CURRENT ASSETS (IN LAKHS)	494.15	485.15	643.77
CURRENT LIABILITIES (IN LAKHS)	1484.5	1733.26	2016.41
RATIO	0.3329	0.2799	0.3193

(source: annual reports- balance sheets from 2021-2023)

Fig. 2. chart showing current ratios 2021-23



**Interpretation:**

The ideal current ratio is 2:1 but the current ratio falls down the ideal concern. It shows that company have insufficient assets and are not capable of meeting current liabilities.

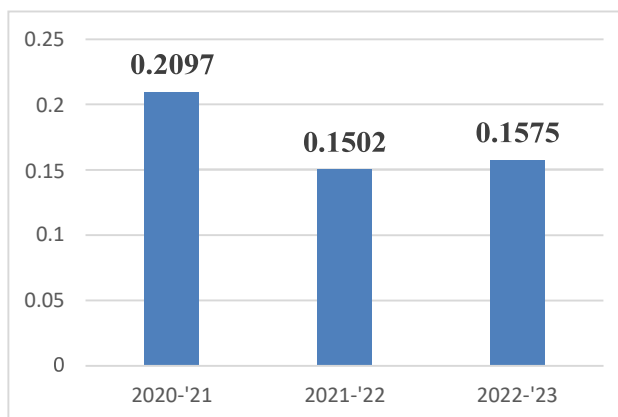
**QUICK RATIO:**

Table 7.6. table showing quick ratios from 2021-23

YEAR	2020-'21	2021-'22	2022-'23
QUICK ASSETS	311.35	260.32	317.67
CURRENT LIABILITIES	1484.5	1733.3	2016.4
RATIO	0.2097	0.1502	0.1575

(source: annual reports- balance sheets from 2021-2023)

Fig.3. chart showing quick ratio 2021-23



**Interpretation:**

The ideal quick ratio is 1:1 and in all the years the company has not met the standard. It shows a decreasing then increasing trend of quick assets in the company from .1502 to .1575 in ratio.

**FINDINGS**

- The current liability is always greater than the current assets which is a negative sign to the company.
- The ideal current ratio is 2:1 but the company doesn't meet the standard which means the company has insufficient fund for the payment of current liabilities.
- In these five financial years the company got net losses because of their other expenses are increased. In 2019 and 2021 they have seen net profit.
- The quick ratios are below the standard in these five years. The company is not efficient in meeting short-term obligations. The liquid position is poor.
- The company has a high level of cash outflow through investing activities in the year 2022.

**SUGGESTIONS**

- Aim to increase current assets or decrease current liabilities to achieve a more favorable current ratio, ensuring better ability to cover short-term debts.
- Improve liquidity by managing inventory effectively and reducing unnecessary expenses to raise quick ratio.
- Work towards increasing total assets or decreasing total debt to enhance solvency.
- The company should establish clear financial management rules to ensure responsible handling of money by staying updated on industry trends to adjust financial strategies.

**CONCLUSION**

Cash is an essential decision factor for the company mainly for manufacturing concerns. The project titled "A Study on cash flow dynamics of The Metal Industries Limited Shornur" delved into assessing the cash flow analysis using different financial tools and ratios. The primary objective was to analyse the cash flow statements. Findings revealed improper cash management, indicating the need for corrective actions to address losses and inefficiencies. So, in the light of various analysis, this study says it is essential to make proper management and control on cash flows for better performance of the company.

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