

A STUDY ON CASH MANAGEMENT WITH REFERENCE IN JK FENNER INDIA LTD

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

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DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

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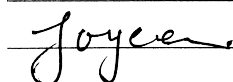
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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **ARAVINTH KUMAR.G** (41410034) who carried out the project entitled "A STUDY ON CASH MANAGEMENT WITH REFERENCE IN JK FENNER INDIA LTD" under our supervision from January 2023 to March 2023.


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I **ARAVINTH KUMAR.G (41410034)** hereby declare that the Project Report entitled “**A Study on CASH MANAGEMENT WITH REFERENCE IN JK FENNER INDIA LTD**” done by me under the guidance of **Dr JOYCE S** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE: 05/05/2023

A handwritten signature in black ink, appearing to read 'Aravinth', is written over a faint, rectangular grid background.

PLACE: Chennai

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ACKNOWLEDGEMENT

I am pleased to acknowledge my sincere thanks to Board of Management of **SATHYABAMA** for their kind encouragement in doing this project and for completing it successfully. I am grateful to them.

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08 APRIL 2023

TO WHOM SOEVER IT MAY CONCERN

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PROJECT TOPIC : CASH MANAGEMENT

During this period his conduct and character are found good.

For **J K FENNER (INDIA) LIMITED**



SHERVAIKKARAN U

DEPUTY MANAGER - HR

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ABSTRACT

The project titled “A Study on cash management for J K FENNER (INDIA) LTD” Deals with the movement of money into or out of a business, project, or financial product. It is usually measured during a specified, finite period of time. A firm should aim at maximizing the wealth of its shareholders. In its endeavor to do so, a firm should earn sufficient return from its operation. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current asset for generating sales. Current asset is needed because sales do not convert into cash instantaneously. There is always an operating cycle involved in the conversion of sales into cash. The objectives are to analyze the Cash management and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency / inefficiency of Cash.

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CHAPTER I

1.1 Introduction:

Cash management is the corporate process of collecting and managing cash, as well as using it for short- term investing. It is a key component of a company's financial stability and . Corporate treasurers or business managers are frequently responsible for overall cash management and related responsibilities to remain solvent.

Cash flow is the movement of money in to and out of a business. Inflows– money coming in–typically arrive in the form of customer payments; bank loans are also inflows. Outflows-moneys leaving the business–are generally expenses, including payments on purchases, overhead, and loan payments . Managing cash flow means to take an active approach in determining howthis process of money moving in and out of the business plays out. The purpose of this project is to provide an overview of the cash-flow management process. Future articles will discuss specific aspects in greaterdetail.

A cash flow statement provides information about the changes in cash and cash equivalents of a business by classifying cash flows into operating, investing and financing activities. It is a key report to be prepared for each accounting period for which financial statements are presented by anenterprise.

Monitoring the cash situation of any business is the key. The income statement would reflect the profits but does not give any indication of the cash components. The important information of what the business has beendoing with the cash is provided by the cash flow statement. Like the other financial statements, the cash flow statement is also usually drawn up annually but can be drawn up more often. It is noteworthy that cash flow statement covers the flows of cash over a period of time (unlike the balancesheet that provides a snapshot of the business at a particular date). Also, the cash flow statement can be drawn up in a budget form and later compared to actual figures.

Objectives of preparing Cash Flow Statement

- Cash flow statement shows inflow and outflow of cash and cash equivalents from various activities of a company during a specific period under the main heads i.e., operating activities, investing activities and financing activities.
- Information through the Cash Flow statement is useful in assessing the ability of any enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows.
- Taking economic decisions requires an evaluation of the ability of an enterprise to generate cash and cash equivalents, which is provided by the cash flow statement.

Cash and cash equivalents generally consist of the following:

- Cash in hand
- Cash at bank
- Short term investments that are highly liquid
- Bank overdrafts comprise an integral element of the organization's treasury management.

CLASSIFICATION OF ACTIVITIES:

Cash flow activities are to be classified into three categories : This is done to show separately the cash flows generated / used by these activities, thereby helping to assess the impact of these activities on the financial position and cash and cash equivalents of an enterprise.

- Operating activities
- Investing activities
- Financing activities

Cash from Operating Activities:

Operating activities are the activities that comprise of the primary / main activities of an enterprise during an accounting period. For example, for a garment manufacturing company, operating activities include procurement of raw material, sale of garments, incurrence of manufacturing expenses, etc. These are the principal revenue generating activities of the enterprise.

Profit before tax as presented in the income statement could be used as a starting point to calculate the cash flows from operating activities.

Cash Inflows from operating activities:

- Cash receipts from sale of goods and rendering services.
- Cash receipts from fees, royalties, commissions and other revenues.

Cash Outflows from operating activities:

- Cash payments to suppliers for goods and services.
- Cash payments of income taxes unless they can be specifically identified with financing and investing activities.

Following adjustments are required to be made to the profit before tax to arrive at the cash flow from operations:

- Elimination of non-cash expenses (e.g., depreciation, amortization, impairment losses, bad debts written off, etc.)
- Removal of expenses to be classified elsewhere in the cash flow statement (e.g., interest expense should be classified under financing activities)
- Removal of income to be presented elsewhere in the cash flow statement (e.g. dividend income and interest income should be classified under investing activities unless in case of for example an investment bank)
- Elimination of non cash income (e.g. gain on revaluation of investments)
- The amount of cash from operations indicates the internal solvency level of the company. It is a key indicator of the extent to which the operations of the enterprise have generated sufficient cash flows to maintain its operating potential.

Cash from Investing Activities:

Cash flow from investing activities includes the movement in cash flows owing to the purchase and sale of assets. It relates to purchase and sale of long-term assets or fixed assets such as machinery, furniture, land and building, etc.

Cash Outflows from investing activities

- Cash payments to acquire fixed assets including intangibles and capitalized R&D.
- Cash advances and loans made to third party (other than advances and loans made by a financial enterprise wherein it is operating activities).
- Cash payments to acquire shares, warrants or debt instruments of other enterprises other than the instruments those held for trading purposes.

DIRECT METHOD:

In the direct method, the major heads of cash inflows and outflows (such as cash received from trade receivables, employee benefits, expenses paid, etc.) are to be considered.

As the different line items are recorded on accrual basis in statement of profit and loss, certain adjustments are to be made to convert them into cash basis such as the following:

- Cash receipts from customers = Revenue from operations + Trade receivables in the beginning – Trade receivables in the end.
- Cash payments to suppliers = Purchases + Trade Payables in the beginning – Trade Payables in the end.
- Purchases = Cost of Revenue from Operations – Opening Inventory + Closing Inventory.
- Cash expenses = Expenses on accrual basis + Prepaid expenses in the beginning and Outstanding expenses in the end - Prepaid expenses in the end and Outstanding expenses in the beginning.

INDIRECT METHOD:

Indirect method of ascertaining cash flow from operating activities begins with the amount of net profit/loss. This is so because a statement of profit and loss incorporates the effects of all operating activities of an enterprise. However, the Statement of Profit and Loss is prepared on an accrual basis (and not on cash basis). Moreover, it also includes certain non-operating items such as interest paid, profit/loss on sale of fixed assets, etc.) and non-cash items (such as depreciation, goodwill to be written-off, etc. Therefore, it becomes necessary to adjust the amount of net profit/loss as shown by the Statement of Profit and Loss for arriving at cash flows from operating activities.

Purpose & Importance of Cash Flow Statements

- Statement of cash flows provides important insights into the liquidity and solvency of a company which are vital for survival and growth of any organization.
- It enables analysts to use information about historic cash flows for projections of future cash flows of an entity on which to base their economic decisions.
- By summarizing key changes in financial position during a period, a cash flow statement serves to highlight priorities of management.
- Comparison of cash flows of different entities helps reveal the relative quality of their earnings since cash flow information is more objective as opposed to the financial performance reflected in income statements.

Advantages of Cash Flow Statement

- Cash Flow Statements help in knowing the liquidity / actual cash position of the company which funds flow and P&L are unable to specify.
- As the liquidity position is known, any shortfalls can be arranged for or excess can be used for the growth of the business.
- Any discrepancy in the financial reporting can be gauged through the cash flow statement by comparing the cash position of both.
- Cash is the basis of all financial operations. Therefore, a projected cash flow statement will enable the management to plan and control the financial operations properly.

- Cash Flow analysis together with the ratio analysis helps measure the profitability and financial position of the business.
- Cash flow statement helps in internal financial management as it is useful in the formulation of financial plans.

Disadvantages of Cash Flow Statement

- Through the cash flow statement alone, it is not possible to arrive at the actual P&L of the company as it shows only the cash position. It has limited usage and in isolation it is of no use and requires BL, P&L for its projections. Cash flow statement does not disclose net income from operations. Therefore, it cannot be a substitute for an income statement.
- The cash balance as shown by the cash flow statement may not represent the real liquidity position of the business because it can be easily influenced by postponing the purchases and other payments.
- Cash flow statement cannot replace the funds flow statement. Each of the two has a separate function to perform.

1.2 INDUSTRY PROFILE

Our Brands



JK Tyre

The company is the undisputed market leader in Truck/Bus Radials in India, with 138 selling locations, 4,000 strong dealer network served by six plants in India and three plants in JK Tonal, Mexico. With state-of-the-art modern production facilities in all 9 plants, total production capacity is over 20 million tires p.a.

JK Paper

JK Paper Ltd. has two large integrated paper manufacturing units - JK Paper Mills (JKPM), Ravaged, Odisha and Central Pulp Mills (CPM), Son Gadh, Gujarat with a combined capacity of 4,55,000 TPA. It is the market leader in Branded Copier paper segment and among the top two players in Coated Paper and High-end Packaging Boards.

JK Lakshmi Cement

JK Lakshmi Cement, a renowned and well-established name in the Indian cement industry, now in its 32nd year, has a formidable presence in Northern & Western India's cement markets. Its current capacity stands at 5.60 million MT per annum.

JK Risk Managers & Insurance Brokers Ltd

After the opening of the insurance sector in the country, JK Risk Managers & Insurance Brokers Ltd., a recent initiative of the JK Group, provides Insurance Advisory & Placement Services to both retail & corporate clients in urban and rural segments. The company serves as an interface with the insurance companies and insurance buyers and caters to the best interests of clients providing customized need-based solutions. Its expertise in specialized segments such as Aviation, Oil & Energy both offshore & onshore, Weather Derivatives for farmers, Liabilities and Group Medical insurances.

JK Agri Genetics Ltd (JKAL)

A leading Agri-biotech hybrid seed company with pan-India presence. Its activities include plant breeding & biotechnology research, seed production, processing and marketing of hybrid seeds of various field crops.

Umang Dairies Limited

JK's dairy business produces and markets skimmed milk powder, butter pure ghee, varieties of dairy whiteners and premixes compatible with tea & coffee vending machines and liquid milk in poly pouches for retail and institutional customers.

JK Lakshmi pat University

Besides the various schools running under Lakshmi pat Foundation, JKLU is one of the recent initiatives of the group that offers management and engineering courses and best facilities that are producing new-age technocrats and business leaders. In a short span of time JKLU has already bagged several accolades including the Best Upcoming Private University in Rajasthan, the Best Emerging Business School and the Best Emerging Private University in North India.

CliniRX

CliniRx Research is a full service Clinical Research Organization with offices in India, Romania, Bulgaria and US. CliniRx has recently acquired a Romania based Clinical Research Organization – Tangent Data. CliniRx Tangent Research is the name of the merged entity. CliniRx conducts multinational clinical trials in Phase I, II, III and IV for global pharmaceutical and biotech companies.

Ring Spinning

Laxmi G 5/1 Spinning Frames ensures better control of fire-starting drafting and control on tension throughout building of full bobbin on each doff.

Products

J.K. Fenner India's products have been synonymous with quality & reliability in Mechanical Power Transmission Engineering across the globe for over 140 years offering not only the best of products but also complete solutions. Our range of products viz. Belts, Pulleys, Couplings, Variable Speed Drives, Clutches & Gear Boxes has become the industry bench-mark over the years being manufactured in state-of-the-art facilities accredited with various Quality Certifications.

Automotive Belts and Oilseals form an important part in almost all vehicle segments. Belts are used in a variety of applications for driving radiator fans, water pumps, alternators air conditioning compressor etc.

oil seals are used as a sealing medium for oil/fluids in various automobile applications such as engine, transmission, wheel, front fork, power steering etc.

Manufacture

- J.K. Fenner India established its first manufacturing facility at Madurai, Southern India in 1955. Growing with the market, Fenner now has 5 Manufacturing locations viz: Madurai, Nialakotai- Dindugal, Sriperumbudur- Chennai, Pashamailaram- Hyderabad, Patancheru-Hyderabad .
- All the plants are well equipped with the latest machineries, process and Technology for producing Wrapped belts, Raw edged cogged belts, Poly Vbelts, Timing belts, Oil Seals, Molded rubber products and Power transmission accessories.
- The plants have robust quality systems and are accredited with ISO 9001, TS 16949, ISO 14001 and has ISO 18000.
- The best manufacturing practices like Modular manufacturing, Lean manufacturing and TPM are followed to meet the customer's requirements consistently. The Manufacturing is strongly supported by an In house R&D facility for development/validation and establishment.
- Best Manufacturing Practices followed by J.K. Fenner India.

Our Products

Multi-Pull Poly V-Belts

Multi-Pull Poly V-Belts Multi-Pull Ribbed belts offer high power capacity in a single flexible low stretch belt. The continuous high tensile synthetic cord makes maximum utilization of the face width and ensures a uniform tension through the belt.

There are five sections available:

- PH Fractional Horsepower belt for very light duty application Low-cost belt for light duty applications
 - PK Designed specifically for the automotive, it is also suitable for Machine Tool drives, etc PL Medium duty drive belt covering a wide range of applications.
 - PM High performance makes this belt unrivalled for heavy-duty applications.
 - Features
 - Extremely flexible
 - Uniform power distribution across the entire width of the belt Long Service life
- TIMING / HTD BELT

1.3. COMPANY PROFILE

J.K Fenner (India Limited)

J.K Fenner (India) Limited is a member of the JK Organization which ranks among the top Industrial houses in India for over 100 years. The name “Fenner” has been synonymous with Mechanical Power Transmission and Sealing Solutions. Fenner commenced operations in India in 1929 and put up their first manufacturing unit at Madurai in Tamil Nādu in the year 1956. Currently there are 7 manufacturing units over 5 locations.

The product lines cover V-Belts, Oil seals, Molded Rubber Components and Engineering Products for applications in both Industrial and Automotive mechanical power transmissions. The Industrial segment would address major sectors like Steel, Cement, Coal, Sugar, Power, Paper, Textiles, Food processing, Agriculture and many other.

Fenner products over several decades have stood for performance, reliability, efficiency and economy. Continuous and collaborative R&D have been the differentiators for Fenner to have emerged as most preferred solution providers by Auto OEMs and the Industrial Sectors. Fenner has a large network of Channel Partners in India with countrywide reach. Fenner Exports to more than 50 countries globally. Today Fenner offers truly a Total Solution to Mechanical Power Transmission and Sealing requirements a single window basis. Test rigs are operated under controlled environments of temperatures, loads and constraints which fully simulate their actual applications. These support both new product development as well as testing the finished products from manufacturing lines.

HISTORY

J.K. Fenner India is a pioneer in Mechanical Power Transmission products in India. In 1929, Fenner started its Indian operations as a trading company. Fenner was incorporated in 1955 as a subsidiary of Fenner International, UK under the name Fenner Cockill Limited. Its first plant was set up at Madurai, the 'Temple City', in Tamil Nadu. The company's name was changed to Fenner (India) Limited in 1975. The JK Group acquired Fenner India Limited in 1987 when it became an Associate Company of the JK Organization. In 2004, Fenner India became a member of the JK Organization, and the company name was changed to J.K. Fenner (India) Ltd in 2013.

The JK Organization has a history of over 100 years.

The JK Organization is one of the largest Industrial Groups in India with very diversified manufacturing activities, such as Automobile Tyres & Tubes, Cement, Cotton, Woolen and Jute Textiles, Agrochemicals, Hybrid Seeds, Power Transmission - Industrial and Automotive V-Belts, Oil Seals, Petrochemicals, Drugs and Pharmaceuticals, Paper, etc. The group also has Trusts and Foundations dedicated to social causes such as Education, Health Care, Sports, Religious and Ethical values. The JK Organization is a US\$ 2 Billion plus Corporation headquartered in New Delhi, India.

Chairman's Message

J.K. Fenner India has been a consistent performer; keeping pace with the growing needs of the market, not only quantitatively but more importantly qualitatively. It is the leader in Mechanical Power Transmission products and it maintains the lead position for more than five decades offering wide range of products in the areas of Belts, Oil Seals, Power Transmission accessories and other Engineering Products. Fenner India has grown to a position of offering engineering solutions both in Mechanical Power Transmission and Sealing product lines.

Our new state-of-the-art Oil Seals Plant and R&D Centre at Sriperumbudur near Chennai and Specialty Belts Plant at Nialakotai near Madurai (Tamil Nadu) have come on stream in record time and are fully functional now. These and the new Engineering Products Plant near Hyderabad are examples for our commitment to excellence. These facilities have already received the acclaim of almost every customer who has visited / serviced by these plants. Encouraged by this, we have replicated a world class oil seals facility in Hyderabad as well. Continuous innovation is a creed of Fenner and it leads the way by setting new standards for itself and the industry. The zeal to innovate puts Fenner in the forefront.

The J. K. Organization is a group of companies with 3 headquarters in Delhi, Kanpur and Mumbai, run by the Singhanian family which rose to prominence in Kanpur, India, under Lala Kamlapat Singhanian (1884-1937), a fighter for Indian independence who burnt up his stock of English cloth on the call of Mahatma Gandhi during his satyagraha call against British rule. Singhanian also set up the Uttar Pradesh Chamber of Commerce. The name JK is derived from the initials of Kamlapat Singhanian (1884–1937) and his father Seth Juggilal (1857–1922) who belonged to the family associated with the Marwari firm Sevaram Ramrikhdas of Mirzapur. The JK group was founded in 1918.

The group rose in importance in the 1960s and 1970s when it occupied the third position as an industrial conglomerate after the Birla and Tata conglomerates. The group has multi-business, multi-product and multi-location operations, with its foot prints in various countries across the globe. It has overseas manufacturing operations in Mexico, Indonesia, Romania, Belgium, Portugal and UAE. The Organization has set up highly reputed Research and Development Institutes in various fields. The family is currently divided into three main groups headed by 3 patriarchs namely Dr Gaur Hari Singhania based out of Kanpur, Shri Hari Shankar Singhania based out of Delhi and Shri Vijaypat Singhania, based out of Mumbai. These three patriarchs are first cousins who now run independent businesses.

JK Organization, the Rs 21,000-crore conglomerate with a workforce of over 40,000, has business interests across the globe, spanning over 90 countries. The JK Organization traces its origin in the 18th century, when it came into being under the leadership of Lala Kamlapatji and his father Lala Juggilalji, therefore the name 'J.K.'. While the flagship businesses are Tyree & Industries, Cement and Paper, the group umbrella also includes Fenner India, JK Seeds, Umang Dairies and JK Agri Genetics.

The pioneering spirit of J.K. Organization which has been constantly striving to provide best products to its consumers also felt the need to have a functionally effective education system for the growing generations of India. While it continues to run various schools across its facilities in different parts of the country under the Lakshmi pat Singhania Foundation, The JK Lakshmi pat University at Jaipur has taken up the responsibility to shaping up the new-age new-age technocrats and business leaders. The conglomerate is also in health care services. While every plant of the group has primary healthcare facilities for its employees and communities living around them, it runs the Pushpawati Singhania Research Institute for Liver, Renal and Digestive Diseases, New Delhi, the JK Institute of Radiology & Cancer Research, Kanpur and the Lakshmi pat Singhania Institute of Cardiology, Kanpur.

The Group is on an expansion spree with the three flagship businesses.

The Tyre business has recently announced an investment of INR 1,430 crore to expand capacity for the production of trucks, buses and car radial types at its plant near Chennai over the next 15 months. The other flagship business JK Lakshmi Cement also announced its expansion plan with a cost structure of Rs 1,550 crore, involving setting up of a 2.7 million-tonnes-a-year (mtpa) Greenfield project at Durg, Chhattisgarh along with captive limestone mine and two grinding units. Continuing the growth momentum is JK Paper business that has commissioned its Rs 1,750-crore expansion at Rayagada, Orissa, adding nearly 60 per cent to its paper production capacity.

THE GROUP

- Reputed and diversified group in business for over 125 years with a Turnover of \$ 4.0 billion.
- A strong orientation towards innovation and R&D through dedicated centers for different businesses. Sales and Service network of 10,000+ distributors and retailers.
- Multi - business operations; footprint across 6 continents, 100 countries & 29 manufacturing facilities across India.

1.4 Statement of the problem

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

Business management should clearly understand the timing of cash inflows and outflows from the entity, such as when to pay for accounts payable and purchase inventory. During rapid growth, a company can end up running out of money because of over-purchasing inventory, yet not receiving payment for it.

2.Lack of understanding of profit versus cash

A company can generate profits on its income statement and burn cash on the cash flow statement.

When a company generates revenue, it does not necessarily mean it already received cash payment for that revenue. So, a very fast-growing business that requires a lot of inventory may be generating lots of revenue but not receiving positive cash flows on it.

3.Lack of cash management skills

It is crucial for managers to acquire the necessary skills despite the understanding of the abovementioned issues. The skills involve the ability to optimize and manage the working capital. It can include discipline and putting the proper frameworks in place to ensure the receivables are collected on time and that payables are not paid more quickly than is needed.

4.Bad capital investments

A company may allocate capital to projects that ultimately do not generate sufficient return on investment or sufficient cash flows to justify the investments. If such is the case, the investments will be a net drain on the cash flow statement, and eventually, on the company's cash balance.

1.5 NEED FOR THE STUDY:

- Visibility in terms of cash balances becomes a key driver to reduce idle cash. Leaving cash in a local account reduces return and does not make the cash actively available to the group, curtailing optimal utilization of available liquidity, thereby increasing the utilization of credit lines.
- Effective payment terms and collection procedures, lower inventories, lower replenishment, and longer credit from suppliers are prerequisites for corporates wanting better cash inflow / outflow management.

1.6 OBJECTIVE OF STUDY

PRIMARY OBJECTIVE

- To study on Cash Management with reference to J K FENNER (INDIA)LTD.

SECONDARY OBJECTIVE

- To know how to manage receivable, inventory and cash.
- To study the different sources of financing capital.
- To study the operating cycle of company.
- To study the liquidity position of a company.
- To look at possible remedial measures if any on the basis of which tied-up funds in working capital could be used effectively and efficiently.

1.7 SCOPE OF STUDY

The study covers all the components of current assets and current liabilities for the year 2018-2022. The study also deals with the various ratios imparted in the organization. Working capital is one of the dynamic and vital aspects of the business operation. Eliminating Disparate Systems: Different cash management solutions are being offered for diverse segments. And as businesses grow, managing these disparate systems is increasingly becoming a challenge. Hence vendors should come up with a single platform which can support various cash management products and services as the business grows. Customizable Solutions: Banks today offer similar solutions to all corporate customers irrespective of their size and business. Hence vendors should try to come up with a customizable platform which can cater to the specific needs of different businesses. Unified System: Integration of corporate customer systems with banking systems can be very helpful in reconciliation of internal systems with banking systems and can support account management between the bank and customer. And this offers great scope for vendors.

1.8 LIMITATIONS OF THE STUDY

- The study mainly depends on the secondary data taken from annual report and internal records of the company.
- Cash management ignores the accrual concept of accounting
- It is historical in nature; that is; it rearranges the current information provided in the profit and loss statement and the balance sheet in the study in J K FENNER.
- It is not a substitute for a profit and loss statement.
- It ignores non-cash transactions.

CHAPTER II

REVIEW OF LITERATURE

2.1 REVIEW OF LITERATURE

In **Christopher and Kamalavalli (2009)** study, they investigated a sample in intention to discover the relationship between efficient capital management and firm's profitability. **(Shin & Soenen, 2004)** used net-trade cycle (NTC) as a measure of working capital management. NTC is basically equal to the CCC whereby all three components are expressed as a percentage of sales. The reason by using NTC because it can be an easy device to estimate for additional financing needs with regard to working capital expressed as a function of the projected sales growth. This relationship is examined using correlation and regression analysis, by industry and working capital intensity. Using a Commutate sample of 58,985 firm years covering the period 1994-2018, in all cash, they found, a strong negative relation between the length of the firm's net-trade cycle and its profitability. In addition, shorter NTC are associated with higher risk-adjusted stock returns. In other word, **(Shin & Soenen, 2004)** suggest that one possible way the firm to create shareholder value is by reducing firm's NTC.

(Deloof, 2010) by using sample of 1009 large Belgian non-financial firms for the period. However, (Deloof, 2010) used trade credit policy and inventory policy are measured by number of days accounts receivable, accounts payable and inventories, and the cash conversion cycle as a comprehensive measure of working capital management. He founds a significant negative relation between gross operating income and the number of days accounts receivable, inventories and accounts payable. Thus, he suggests that managers can create value for their shareholders by reducing the number of days accounts receivable and inventories to a reasonable minimum. He also suggests that less profitable firms wait longer to pay their bills.

(Lyrid & Lazaridis, 2011) use food industry Greek to examined the cash conversion cycle (CCC) as a liquidity indicator of the firms and tries to determine its relationship with the current and the quick ratios, with its component variables, and investigates the implications of the CCC in terms of profitability, in debt ness and firm size. The results of theirstudy in dicate that there is a significant positive relationship between the cash conversion cycle and the traditional liquidity measures of current and quick ratios. The cash conversion cycle also positively related to the returnon assets and the Net profit margin but had no linear relationship with the leverage ratios.

(Peterson and Rajan, 2011). Under conditions of certainty (i.e. sales, costs, lead times, payment periods, and so on, are known), firms have little reason to hold more working capital than a minimum level. Larger amounts would increase the level of operating assets, increase the need for external funding, resulting in lower return on assets and a lower return on equity, without any increase in profit.

(Brigham and Houston, 2011). Larger amounts of cash, securities, accounts receivables, marketable securities, inventories, and fixed assets will be needed to support increased sales Required levels willbe based on expected sales levels and expected order lead times. Additional holdings may be needed to enable the firm to deal with departures from the expected values. Further, firms will also attempt to increase their accounts payable balances as a means of financing increased levels of current operating assets. Firms which are in high growthstages will face the challenge of maintaining the necessary level of operating assets to support subsequent growth, while at the same time attempting to maintain adequate performance indicators.

(Peterson and Rajan, 2012) this study provides further evidence that goodworking capital management is positively associated with better operating performance. Higher levels of accounts receivable are associated with higher operating performance in all three of the growth rate categories. Thestudy also finds that maintaining control over levels of cash, securities, inventory, fixed assets, and accounts payables is associated with higher operating performance. We find that firms which are experiencing very highgrowth will hold

higher levels of cash, securities, inventory, fixed assets, and accounts payable to support the high growth. The study suggests that these firms are sacrificing operating performance (accepting lower operating returns) to support the high growth. This, in turn, increases financial and operating risk for these firms. Perhaps IPO firms should stay more focused on their operating performance, while maintaining more moderate growth levels.

(Kargar and Blumenthal, 2014). Working capital starvation is generally credited as a major cause if not the major cause of small business failure in many developed and developing countries.

(Rafuse, 2016). The success of a firm depends ultimately on its ability to generate cash receipts in excess of disbursements. The cash flow problems of many small businesses are exacerbated by poor financial management and in particular the lack of planning cash requirements.

Peel and Wilson (2016) have stressed the efficient management of working capital, and more recently good credit management practice as being pivotal to the health and performance of the small firm sector. Along the same line, Berry et al (2012) finds that SMEs have not developed their financial management practices to any great extent and they conclude that owner-managers should be made aware of the importance and benefits that can accrue from improved financial management practices.

De Chazal Du Mee (2018) revealed that 60% of enterprises suffer from cashflow problems. Narasimhan and Murty (2011) stress on the need for many industries to improve their return on capital employed (ROCE) by focusing on some critical areas such as cost containment, reducing investment in working capital and improving working capital efficiency.

Smith and Begemann (2017) emphasized that those who promoted working capital theory shared that profitability and liquidity comprised the salient goals of working capital management. The problem arose because the maximization of the firm's returns could seriously threaten its liquidity, and the pursuit of liquidity had a tendency to dilute returns.

Smith and Begemann (2017), in their study of industrial companies listed in the Johannesburg Stock Exchange, indicated that current liabilities divided by funds flow (a working capital leverage ratio) displayed the greatest association with return on investment. On the other hand, other indicators like current and quick ratios displayed no association.

Shin and Soenen (2018) highlighted that efficient Working Capital Management (WCM) was very important for creating value for the shareholders. The way working capital was managed had a significant impact on both profitability and liquidity.

Deloof (2013) discussed that most firms had a large amount of cash invested in working capital. It can therefore be expected that the way in which working capital is managed will have a significant impact on the profitability of those firms. Using correlation and regression tests he found a significant negative relationship between gross operating income and the number of days accounts receivable, inventories and accounts payable of Belgian firms.

Ghosh and Maji (2013) in this paper made an attempt to examine the efficiency of working capital management of the Indian cement companies during. For measuring the efficiency of working capital management, performance, utilization, and overall efficiency indices were calculated instead of using some common working capital management ratios.

Howorth and Westhead (2013), suggest that small companies tend to focus on some areas of working capital management where they can expect to improve marginal returns. For small and growing businesses, an efficient working capital management is a vital component of success and survival; i.e both profit ability and liquidity

(Peel and Wilson, 2016). They further assert that smaller firms should adopt formal working capital management routines in order to reduce the probability of business closure, as well as to enhance business performance.

Grabowski(2016) and between various success measures and the employment of formal working capital policies and procedures. Managing cash flow and cash conversion cycle is a critical component of overall financial management for all firms, especially those who are capital constrained and more reliant on short-term sources of finance. On the other hand, it is possible to claim that the most popular measure of working capital management is the Cash Conversion Cycle (CCC).

(Sathyamurthy and Wally-Dima,2018). Deloof (2013) investigates the relationship between working capital management and firm profitability by using CCC as a measure of working capital management.

Eljelly, (2014) elucidated that efficient liquidity management involves planning and controlling current assets and current liabilities in such a manner that eliminates the risk of inability to meet due short-term obligations and avoids excessive investment in these assets.

Filbeck G. et al. (2015) investigated the data of 26 industries by taking the data of 970 companies during. They found out that firms are able to decrease financing cost and/or augment the funds obtainable for development by reduce the amount of funds attached to the current assets.

Lazaridis and Trigianni (2018) find a negative relationship between profitability and CCC for 131 listed companies listed in Athens Stock Exchange for the period 2001 -2004. Similar to the results of these studies focused on large firms, the findings of Garcia-Equion-Martinez- Solano (2017) also indicates negative relationship between profitability and CC for small and medium sized firms from Spain.

Sayaduzzaman MD. (2016), is highly reasonable due to the constructive cash inflows, designed approach in running the major components of working capital by evaluating five years data from 1999-2000 to 2002-2003.

Lazardis and Trigianni (2016) accounts payable has positive relationship. No conflict between the authors regarding leverage and/or debt financing with negative relationship. Finally, the variable cash conversion efficiency was used by only one author (Ganesan, 2017) and presents no association at all with profitability.

Rahman and Nasr (2017) selected a sample of 94 listed Pakistani companies from different sectors of economy for a period of 8 years, from 1999-2004. The independent variables used were current ratio, day's receivable, day's inventory, days payable and cash conversion cycle.

Teruel and Martinez-Solano (2017) also provided the empirical relationship between both the variables. They chose the small and medium sized Spanish firms, a sample of about 8872 small to medium sized enterprises.

Mathura (2009) studied the impact of working capital management on performance. He took almost 30 listed firms as a sample and all these companies were listed in Nairobi stock exchange and the data was taken.

Amarjit Gill 1, Nahum Bigger 2, Neil Mathur 3 (2010), under the title "The Relationship between Working Capital Management and Profitability: Evidence from the United States", the aim of this paper is to find the relationship between working capital management and profitability. A sample of 88 American firms listed on New York Stock Exchange for a period of 3years from 2005 to 2007 was selected.

Huynh Phuong Dong (2010), under the title " The Relationship between Working Capital Management and Profitability: A Vietnam Case", The aim of this paper is based on secondary data collected from the listed firms in Vietnam stock market for the period of 2006-2008 with an attempt to investigate the relationship existing between profitability, the cash conversion cycle and its components for listed firms in Vietnam stock market.

Dong (2010) reported that the firms' profitability and liquidity are affected by working capital management in his analysis. Pooled data are selected for carrying out there search for the era of 2006-2008 for assessing the companies listed in stock market of Vietnam.

Mohammadabad and Noria BMS(2010) worked on crating the relationship between Working Capital Management (WCM) and performance of firms. For their analysis they chose the Malaysian listed companies. They administered the perspective of market valuation and profitability. They used total of 172 listed companies from the databases of Bloomberg.

Saswata Chatterjee (2010) focused on the importance of the fixed and current assets in the successful running of any organization. It poses direct impacts on the profitability liquidity. There have been a phenomenon observed in the business that most of the companies increase the margin for profits and losses because this act shrinks the size of working capital relative to sales.

Kamilah, Muhammad Sohail, Khalid Zaman and Zaheer Lam(2011), under the title "The Relationship between Working Capital Management and Profitability: A Case Study of Cement Industry in Pakistan", The result concludes that there is a moderate relationship between working capital management and profitability in the specific context of cement industry in Pakistan.

Mohammad Alipour (2011), under the title "Working Capital Management and Corporate Profitability: Evidence from Iran", the results of there search show that in the studied companies, there is a significant relation between working capital management and profitability and working capital management has a great effect on the profitability of the companies and the managers can create value for shareholders by means of decreasing receivable accounts and inventory, World Applied Sciences Journal¹² (7): 1093-1099, 2011.

CHAPTER III

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

Research is an organized, systematic, database, critical, objective, scientific, inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to it. Emory defines research as, “any organized inquiry designed and carried out to provide information for solving a problem.”

3.1 RESEARCH DESIGN

Research design is specification of methods and procedures for acquiring the information needed to structure or to solve problems. Research design is defined as, “the arrangement of condition for collection and analysis of the data in a manner that aims to combined relevant to the research purpose with economy in procedure” Analytical research technique was adopted in this project. The researcher used an analytical type of research to analyze past data based on which certain future decision can be made.

3.2 SOURCE OF DATA

SECONDARY DATA

These data, which have already been collected, compiled and presented. Earlier by any agency, may be used for the purpose of investigation. Such data may be called secondary data. Secondary data may earlier be published data or unpublished data. Usually published data are available in annual report.

ANNUAL REPORT

It provides all the information about the company for the accounting period. This enables us to understand the existing performance of the company.

3.4 TOOLS USED FOR THE STUDY

- Ratio analysis
- Cash flow Statement
- Fund flow Statement

Ratio analysis:

Ratio analysis is referred to as the study or analysis of the line items present in the financial statements of the company. It can be used to check various factors of a business such as profitability, liquidity, solvency and efficiency of the company or the business.

Ratio analysis is mainly performed by external analysts as financial statements are the primary source of information for external analysts.

The analysts very much rely on the current and past financial statements in order to obtain important data for analysing financial performance of the company. The data or information thus obtained during the analysis is helpful in determining whether the financial position of a company is improving or deteriorating.

Cash flow Statement

A cash flow statement is an important tool used to manage finances by tracking the cash flow for an organization. This statement is one of the three key reports (with the income statement and the balance sheet) that help in determining a company's performance. It is usually helpful for making cash forecast to enable short term planning.

The cash flow statement shows the source of cash and helps you monitor incoming and outgoing money. Incoming cash for a business comes from operating activities, investing activities and financial activities. The statement also informs about cash outflows, expenses paid for business activities and investment at a given point in time. The information that you get from the cash flow statement is beneficial for the management to take informed decisions for regulating business operations.

Fund flow Statement

Funds Flow Statement is a statement prepared to analyse the reasons for changes in the Financial Position of a Company between 2 Balance Sheets. It shows the inflow and outflow of funds i.e., Sources and Applications of funds for a particular period. In other words, a **Funds Flow Statement** is prepared to explain the changes in the Working Capital Position of a Company. There are 2 types of Inflows of Funds: -

- Long Term Funds raised by Issue of Shares, Debentures or Sale of Fixed Assets
- Funds generated from Operations

Funds Flow Statement is useful for Long Term Analysis. It is a very useful tool in the hands of the management for judging the financial and operating performance of the Company. The Balance Sheet and the Profit and Loss A/c (Income Statement) fail to provide the information which is provided by the *Funds Flow Statement* i.e. Changes in Financial Position of an enterprise. Such an analysis is of great help to the management, shareholders, creditors etc

CHAPTER IV

DATA ANALYSIS

4.1 .RATIO ANALYSIS

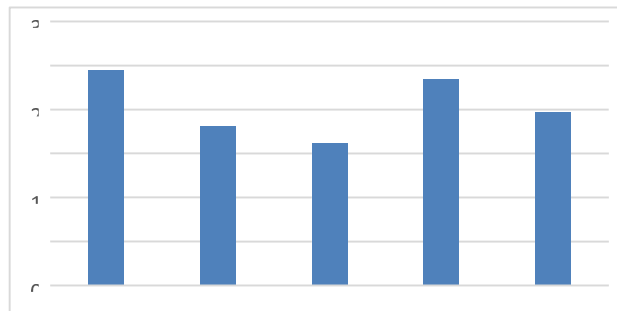
4.1.1 CURRENT RATIO

Current Ratio = Current assets / Current liabilities

TABLE 4.1.1 CURRENT RATIO SHOWING CURRENT RATIO FOR 5 YEARS

S. NO	YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
1	2018	19,89,000	8,11,000	2.45
2	2019	18,81,000	10,40,000	1.81
3	2020	23,39,000	11,63,000	1.62
4	2021	25,50,000	10,84,000	2.35
5	2022	32,54,000	16,48,000	1.97

CHART 4.1 CURRENT RATIO SHOWING CURRENT RATIO FOR 5 YEARS



INTERPRETATIONS:

- The ideal time of the current ratio of J K fanner India limited of the financial year 2018 is 2.45, Financial year 2019 is 1.81, Financial year 2020 is 1.62, Financial year 2021 is 2.35 and In the year of 2022 is 1.97 the overall consideration of the year the company increases the asset and Liabilities.

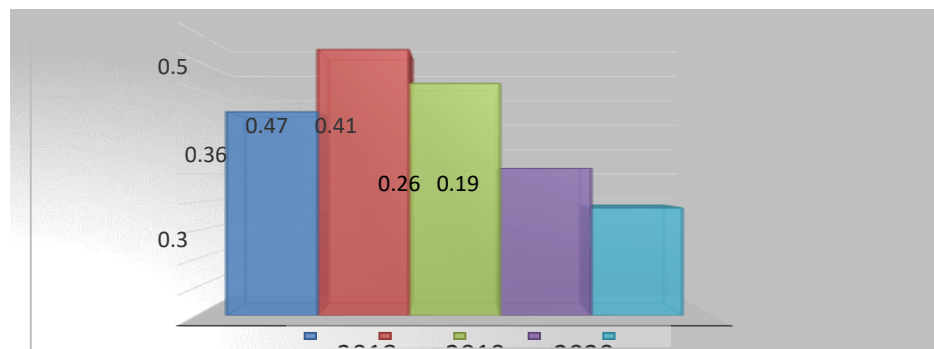
4.1.2.CASH POSITION RATIO:

Cash position ratio = Cash and bank balance + marketable securities
Current Liabilities

TABLE 4.1.2 CASH POSITION RATIO SHOWING CASH POSITION RATIO FOR 5 YEARS

S.NO	YEAR	CASH BALANCE +SECURITI ES	CURRENT LIABILITIES	CASH POSITION RATIO
1	2018	2,92,000	8,11,000	0.36
2	2019	4,99,000	10,40,000	0.47
3	2020	4,79,000	11,63,000	0.41
4	2021	2,80,000	10,84,000	0.26
5	2022	3,05,000	16,48,000	0.19

CHART 4.1.2: CASH POSITION RATIO SHOWING CASH POSITION RATIO FOR 5 YEARS



INTERPRETATION:

- The increment of the cash position ratio of J K fanner India limited of the financial year 2018 is 0.36, Financial year 2019 is 0.47, Financial year 2020 is 0.41, Financial year 2021 is 0.26 and In the year of 2022 is 0.19 the overall consideration of the year the company increases the Cash balance and securities and Liabilities

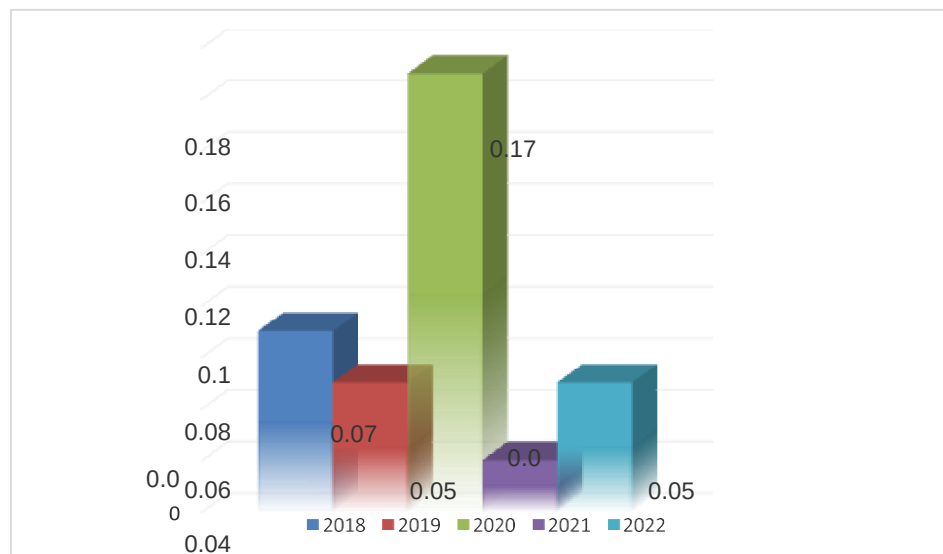
4.1.3ABSOLUTE LIQUID RATIO:

Current liabilities = (ABSOLUTE LIQUID ASSET/CURRENT LIABILITIES)

TABLE 4.1.3:ABSOLUTE LIQUID RATIO SHOWING ABSOLUTE LIQUID RATIO FOR 5 YEARS

S.NO	YEAR	ABSOLUTE LIQUID ASSET	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
1	2018	53,000	8,11,000	0.07
2	2019	52,000	10,40,000	0.05
3	2020	2,02,000	11,63,000	0.17
4	2021	21,000	10,84,000	0.02
5	2022	74,000	16,48,000	0.05

CHART 4.1.3:: ABSOLUTE LIQUID RATIO SHOWING ABSOLUTE LIQUID RATIO FOR 5 YEARS



INTERPRETATION:

- The Cash & Bank Balance to Current Liabilities of J.K. FENNER remained 2018 is 0.07, 2019 is 0.05, 2020 is 0.17, 2021 is 0.02, 2022 is 0.05 respectively throughout the five-year study period. The mean of Cash & Bank Balance to Current Liabilities came to be 0.17.

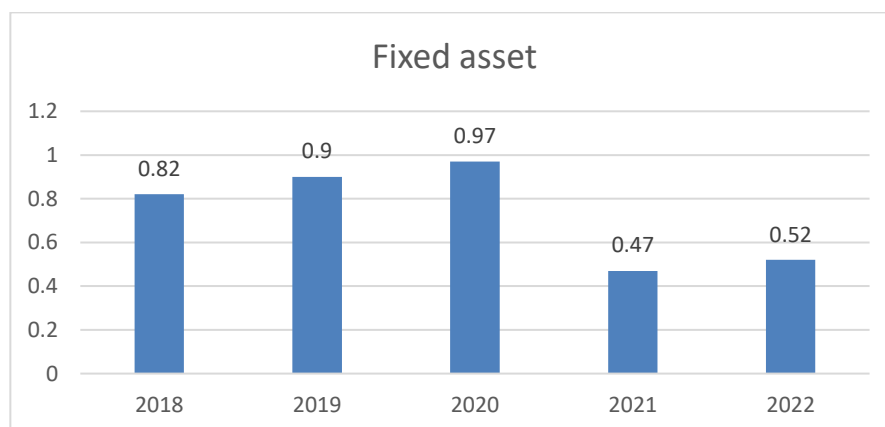
4.1.4 FIXED ASSETS RATIO:

$$\text{FIXED ASSET RATIO} = \text{FIXED ASSET} / \text{LONG TERM FUND}$$

TABLE 4.1.4: FIXED ASSET RATIO SHOWING FIXED ASSET RATIO FOR 5 YEARS

Sl. No.	Year	Fixed assets	Long term funds	Fixed asset ratio
1	2018	6,13,000	7,51,000	0.82
2	2019	6,13,000	6,83,000	0.90
3	2020	5,69,000	5,84,000	0.97
4	2021	5,33,000	11,22,000	0.47
5	2022	4,48,000	8,63,000	0.52

CHART 4.1.4: FIXED ASSET RATIO SHOWING FIXED ASSET RATIO FOR 5 YEARS



INTERPRETATION:

- The Fixed assets to long term funds of J.K. FENNER remained 0.82 IN 2018, 0.90 in 2019, 0.97 in 2020, 0.47 in 2021, and 0.62 in 2022 respectively throughout the five year.

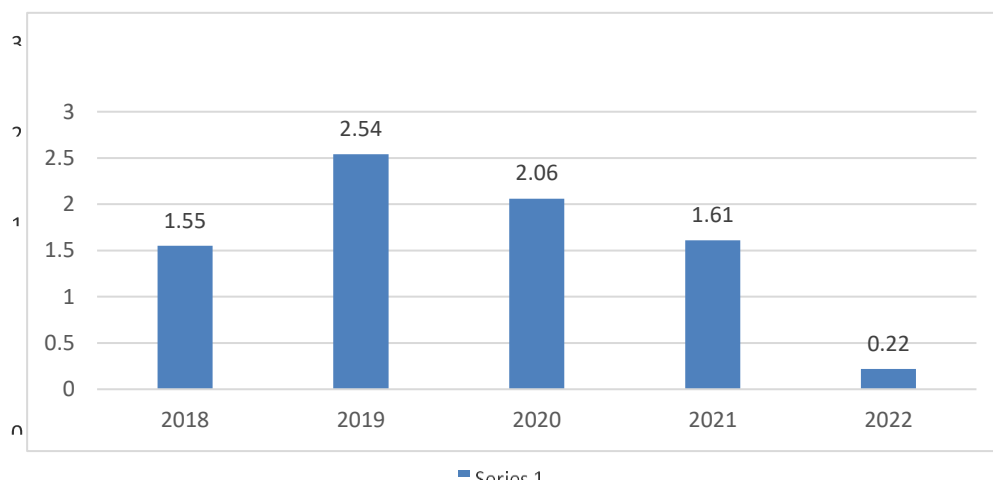
4.1.5 CAPITAL TURNOVER RATIO:

CAPITAL TURNOVER RATIO = COST OF SALES / CAPITAL EMPLOYED

TABLE 4.5: TABLE SHOWING CAPITAL TURNOVER RATIO OF 5 YEARS

S.NO	YEAR	COST OF SALES	CAPITAL EMPLOYED	CAPITAL TURNOVER RATIO CS/CE
1	2018	27,72,200	17,91,000	1.55
2	2019	36,98,000	14,54,000	2.54
3	2020	35,93,000	17,45,000	2.06
4	2021	32,10,000	19,99,000	1.61
5	2022	4,56,500	20,54,000	0.22

CHART 4.1.5: CHART SHOWING CAPITAL TURNOVER RATIO OF 5 YEARS



INTERPRETATION:

- The mean of CAPITAL EMPLOYED to COST OF SALES came to be 2.54. The Cash & Bank Balance to Loan, Advances, and Bills Purchase of J.K. FENNER remained 1.55 IN 2018, 2.54 in 2019, 2.06 in 2020, 1.61 in 2021 and 0.22 in 2022 respectively throughout the five years.

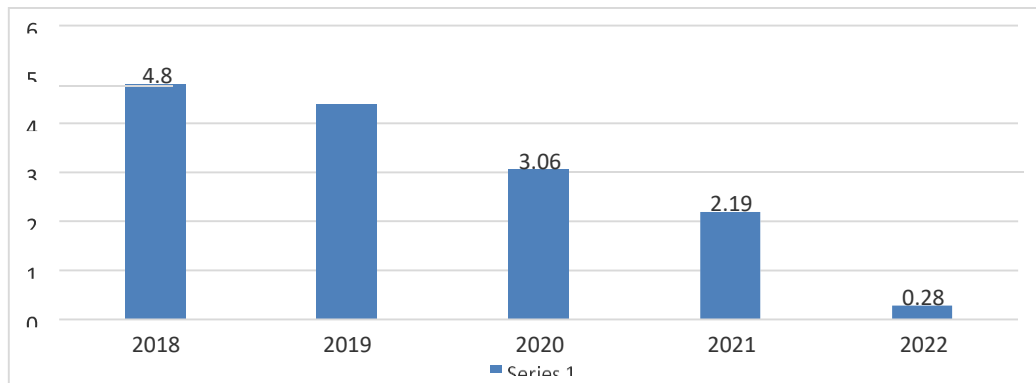
4.1.6 WORKING CAPITAL TURNOVER RATIO:

Working capital turnover ratio= SALES/NET WORKING CAPITAL

TABLE 4.1.6 TABLE SHOWING WORKING CAPITAL TURNOVER RATIO IN 5 YRS

S.NO	YEAR	SALES	NET WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
1	2018	27,72,200	5,78,000	4.80
2	2019	36,98,000	8,41,000	4.40
3	2020	35,93,000	11,76,000	3.06
4	2021	32,10,000	14,66,000	2.19
5	2022	4,56,500	16,06,000	0.28

CHART 4.1.6: TABLE SHOWING WORKING CAPITAL TURNOVER RATIO IN 5 YRS



INTERPRETATION

Thereafter, it decreased in Networking capital by 4.80 in 2018, 4.40 in 2019, 3.06 in 2020, 2.19 in 2021 and 0.28 in 2022 the following years.

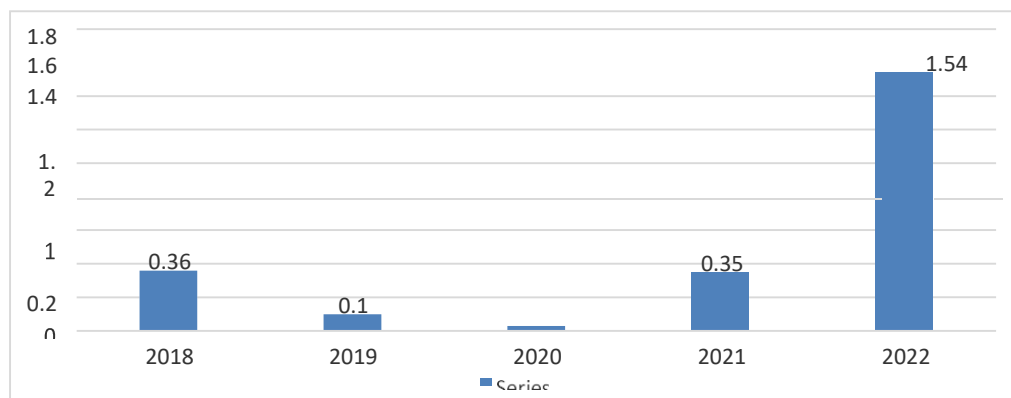
4.1.7 NET PROFIT RATIO:

NET PROFIT RATIO=NET PROFIT AFTER TAX*100 /NET SALES

TABLE 4.1.7: TABLE SHOWING NET PROFIT RATIO FOR 5 YEARS

S.NO	YEAR	NET PROFIT AFTERTAX	NET SALES	NET PROFIT RATIO=NPAT/NS
1	2018	9,86,600	27,72,200	0.36
2	2019	3,53,000	36,98,000	0.10
3	2020	1,20,600	35,93,000	0.03
4	2021	11,09,900	32,10,000	0.35
5	2022	7,03,800	4,56,500	1.54

CHART 4.1.7: CHART SHOWING NET PROFIT RATIO FOR 5 YEARS



INTERPRETATION:

Thereafter, it increased in Net profit After tax by 0.36 in 2018, 0.10 in 2019, 0.03 in 2020 ,0.35 in 2021 and 1.54 in 2022 respectively throughout the year.

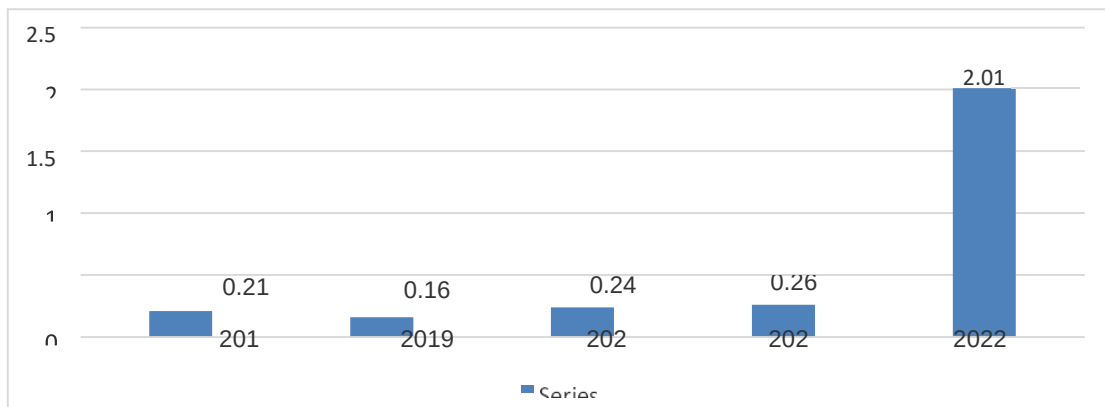
4.1.8.EXPENSES RATIO

EXPENSES RATIO= ADMINISTRATION EXPENSES *100 / NET SALES

TABLE 4.1.8 : TABLE SHOWING EXPENSES RATIO FOR 5 YEARS

S.NO	YEAR	ADMINISTRATIO NEXPENSES	NET SALES	EXPENSES RATIO = AE/NS
1	2018	5,90,000	27,72,200	0.21
2	2019	6,00,000	36,98,000	0.16
3	2020	8,97,000	35,93,000	0.24
4	2021	8,48,100	32,10,000	0.26
5	2022	9,17,000	4,56,500	2.01

CHART 4.1.8: CHART SHOWING EXPENSES RATIO FOR 5 YEARS



INTERPRETATION

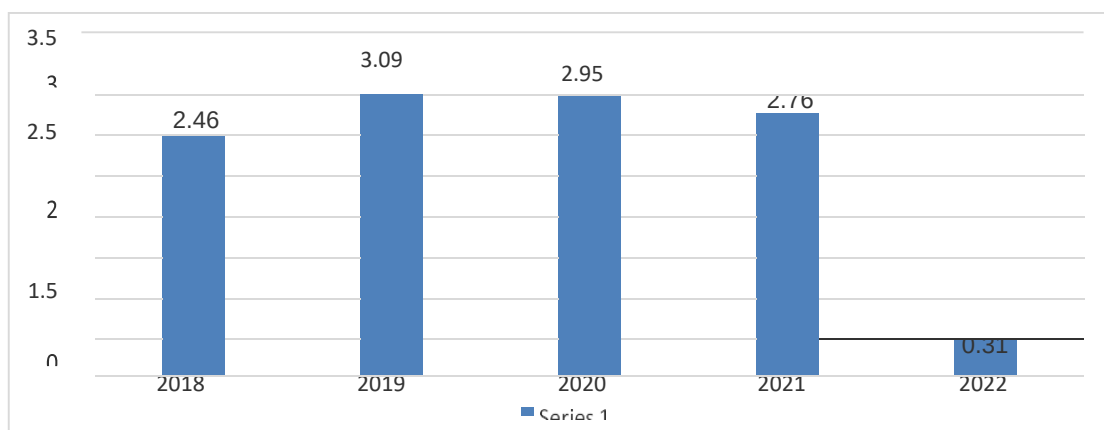
Thereafter, it increased in period of Receivable by 0.21 in 2018, 0.16 in 2019, 0.24 in 2020, 0.26 in 2021 and 2.01 in 2022 respectively throughout the year.

4.1.9 DEBTORS TURNOVER RATIO

TABLE-4.1.9 TABLE SHOWING DEBTOR TURNOVER RATIO FOR 5 YEARS

Year	Total Sales	Account Receivables	Debtors Turnover Ratio
2018	27,72,200	11,28,000	2.46
2019	36,98,000	11,95,000	3.09
2020	35,93,000	12,19,000	2.95
2021	32,10,000	11,62,000	2.76
2022	4,56,500	14,87,000	0.31

CHART-4.1.9 CHART SHOWING DEBTOR TURNOVER RATIO FOR 5 YEARS



INTERPRETATION:

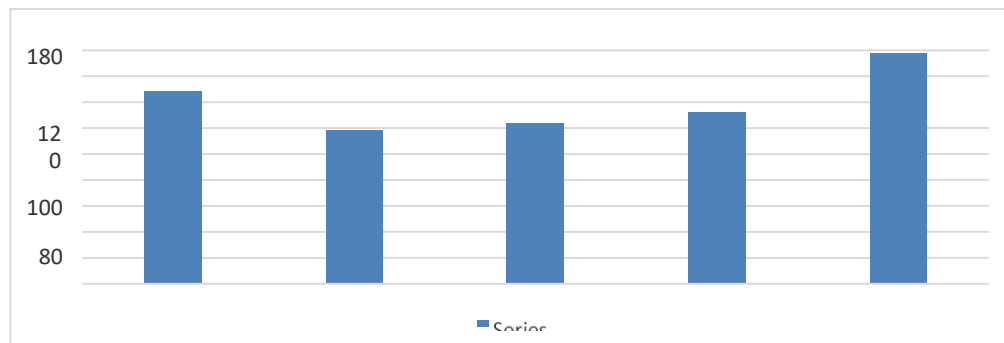
Thereafter, it increased in period of Receivable by 2.46 in 2018, 3.09 in 2019, 2.95 in 2020, 2.76 in 2021 and 0.31 in 2022 respectively throughout the year.

4.1.10 DEBTORSCOLLECTION PERIOD

TABLE -4.1.10 TABLE SHOWING DEBTOR COLLECTION PERIOD FOR 5 YEARS

Year	No of Days	Debtors Turnover Ratio	Debtors Collection Period in Days
2018	364	2.46	148
2019	365	3.09	118
2020	365	2.95	124
2021	365	2.76	132
2022	365	2.05	178

CHART-4.1.10 CHART SHOWING DEBTOR COLLECTION PERIOD FOR 5 YEARS



Interpretation

Thereafter, it Increased in Debtors collection period by 148 in 2018, 118 in 2019, 124 in 2020, 132 in 2021 and 178 in 2022 respectively throughout the years

4.2.1. CASH FLOW STATEMENT OF J K FENNER (INDIA) LTD FOR THE YEAR 2019

PARTICULARS	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES:	
Profit/Loss before Taxation	10,02,600
ADD: Depreciation	85,000
ADD: Finance Cost	9,17,600
ADD: Decrease in inventories	1,58,000
	10,75,600
LESS: Increase in Debtors	
Cash generated from operations	3,82,000
LESS: Tax	(67,000)
NET CASH FLOW FROM OPERATING ACTIVITIES	13,90,600
Cash flow from investing activities	22,000
	13,68,600
LESS: Purchase of assets	(1,08,000)
LESS: Cash receipts from loans and advances	12,60,600
	(68,000)
Cash flow from investing activities	
	11,92,600
CASH FLOW FROM INVESTING ACTIVITIES:	
Proceeds from issue of shares	2,69,000
NET INCREASE IN CASH	
CASH AND CASH EQUIVALENT IN THE BEGINNING	9,22,600
CASH AND CASH EQUIVALENT AT THE END	53,000
	8,69,600

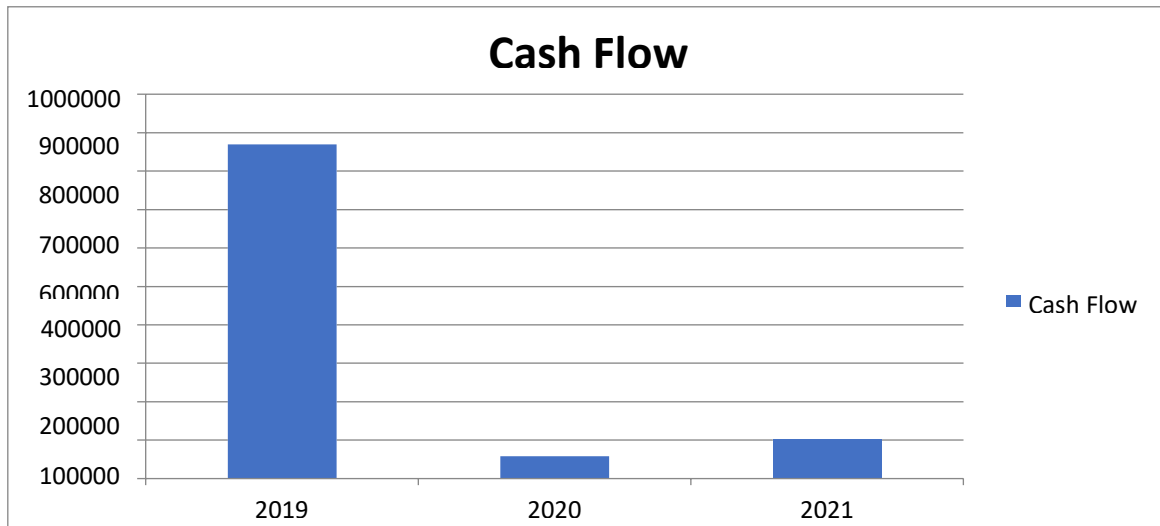
4.2.2 CASH FLOW STATEMENT OF J K FENNER (INDIA) LTD FOR THE YEAR2020

PARTICULARS	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES:	
Profit/Loss before Taxation	1,50,600
ADD: Depreciation	71,000
ADD: Finance Cost	2,21,600
	83,000
	3,04,600
LESS: Increase in inventories	(4,54,000)
LESS: Increase in Debtors	(24,000)
Add: Decrease in Bank	1,70,000
Cash generated from operations	
LESS: Tax	(3,400)
	(13,000)
NET CASH FLOW FROM OPERATING ACTIVITIES	
Cash flow from investing activities:	
ADD: Sale of assets	(16,400)
	4,14,000
LESS: Cash receipts from loans and advances	3,97,600
	(99,000)
Cash flow from investing activities	
	2,98,600
CASH FLOW FROM INVESTING ACTIVITIES:	
Proceeds from issue of shares	
NET INCREASE IN CASH	3,90,000
CASH AND CASH EQUIVALENT IN THE BEGINNING	91,400
CASH AND CASH EQUIVALENT AT THE END	1,50,000
	58,600

4.2.3 CASH FLOW STATEMENT OF J K FENNER (INDIA) LTD FOR THE YEAR 2021

PARTICULARS	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES:	
Profit/Loss before Taxation	11,31,900
ADD: Depreciation	79,000
ADD: Finance Cost	12,10,000
Add: Decrease in inventories	82,000
	12,92,000
Add: Decrease in Debtors	4,67,000
Add: Decrease in cash	57,000
Cash generated from operations	1,81,000
	19,97,000
LESS: Tax	(4000)
NET CASH FLOW FROM OPERATING ACTIVITIES	19,93,000
Cash flow from investing activities:	
Add: Sale of assets	1,75,000
LESS: Cash receipts from loans and advances	(5,38,000)
Cash flow from investing activities	(3,63,000)
Proceeds from issue of shares	2,84,000
NET INCREASE IN CASH	(79,000)
CASH AND CASH EQUIVALENT IN THE BEGINNING	
CASH AND CASH EQUIVALENT AT THE END	(79,000)
	1,81,000
	1,02,000

4.2.1 CHART FOR CASH FLOW 3 YEAR ANALYSIS



The company invested high amount of cash during the year 2019 they spend the cash for Investing and spend in expenses.

4.2.4 FUND FLOW STATEMENT OF JK FENNER (INDIA) LTD FOR THE YEAR 2019

Particular	Rs	Rs
Source Of Fund	6,00,000	
Issue of shares	5,00,000	
Issue of debentures	3,20,000	
Sale of fixed assets	40,000	
Investments sold	30,000	
Fund from operations		
Total Sources (A)		14,90,000
Applications of Funds		
Repayment of long-term Loans		
Redemption of preference share	80,000	
Redemption of debenture	4,00,000	
Purchase fixed Assets	2,00,000	
Tax Paid	1,10,000	
Dividend paid	2,20,000	
Investments Purchased	80,000	
Outflow of funds on account of Operation	55,000	
	65,000	
Total Sources (B)		12,10,000
Increase in working capital (A- B)		2,80,000

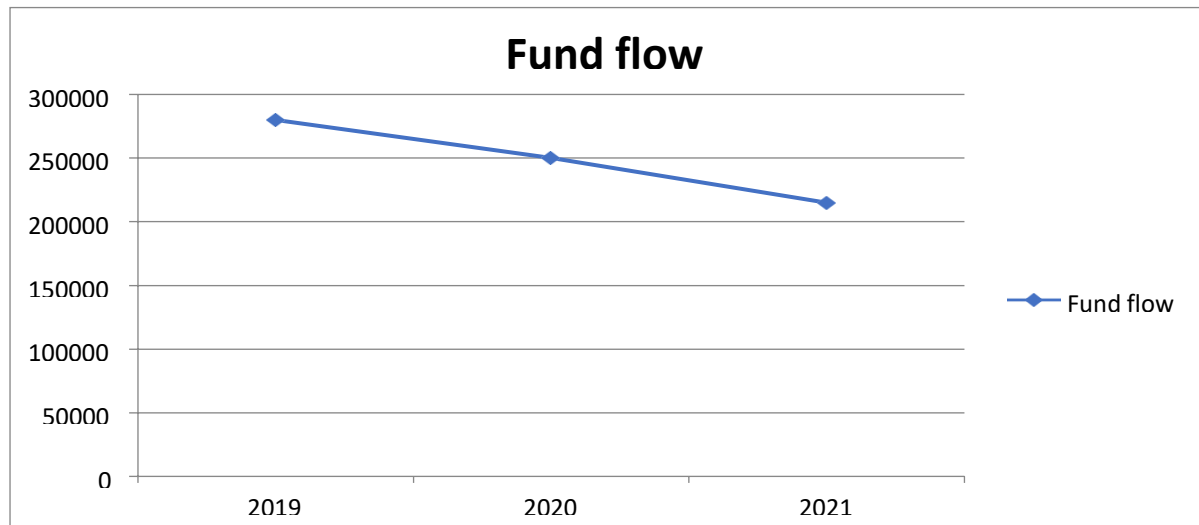
4.2.5 FUND FLOW STATEMENT OF JKFENNER (INDIA) LTD FOR THE YEAR 2020

Particular	Rs	Rs
Source Of Fund	5,00,000	
Issue of shares	4,85,000	
Issue of debentures	3,50,000	
Sale of fixed assets	80,000	
Investments sold	20,000	
Fund from operations		
Total Sources (A)		14,35,000
Applications of Funds	60,000	
Repayment of long-term Loans	4,25,000	
Redemption of preference share	90,000	
Redemption of debenture	1,00,000	
Purchase fixed Assets	2,80,000	
Tax Paid	1,00,000	
Dividend paid	85,000	
Investments Purchased	45,000	
Outflow of funds on account of operation		
Total Sources (B)		11,85,000
		2,50,000
Increase in working capital (A-B)		

4.2.6 FUND FLOW STATEMENT OF J.K. FENNER(INDIA)LTD FORTHE YEAR 2021

Particular	Rs	Rs
Source Of Fund		
Issue of shares	4,65,000	
Issue of debentures	4,35,000	
Sale of fixed assets	2,50,000	
Investments sold	50,000	
Fund from operations	30,000	
Total Sources (A)		12,30,000
Applications of Funds		
Repayment of long-term Loans	80,000	
Redemption of preference share	4,00,000	
Redemption of debenture	60,000	
Purchase fixed Assets	1,20,000	
Tax Paid	1,80,000	
Dividend paid	60,000	
Investments Purchased		
Outflow of funds on account of operation	90,000	
	25,000	
Total Sources (B)		10,15,000
Increase in working capital (A-B)		2,15,000

CHART FOR FUND FLOW 3 YEAR ANALYSIS



The company invested high amount of Fund during the year they Gain in investment and issue of shares and debenture.

CHAPTER V

(FINDINGS, SUGGESTION, CONCLUSION)

5.1 FINDINGS

- The current ratios of J.K. Fenner remained respectively 2.45, 1.81, 1.62, 2.35, and 1.97 throughout the five-year study period. The mean of current ratios came to be 2.45.
- The percentage of Cash & Bank Balance to Current Assets of J.K. FENNER remained 0.36, 0.47, 0.41, 0.26, and 0.19 respectively throughout the five-year study period. The mean of percentage of Cash & Bank Balance to Current Assets came to be 0.47.
- The Cash & Bank Balance to Current Liabilities of J.K. FENNER remained 0.07, 0.05, 0.17, 0.02, and 0.05 respectively throughout the five-year study period. The mean of Cash & Bank Balance to Current Liabilities came to be 0.17.
- The Fixed assets to long term funds of J.K. FENNER remained 0.82, 0.90, 0.97, 0.47, and 0.62 respectively throughout the five years.
- The mean of CAPITAL EMPLOYED to COST OF SALES came to be 2.54. The Cash & Bank Balance to Loan, Advances, and Bills Purchase of J.K. FENNER remained 1.55, 2.54, 2.06, 1.61 and 0.22 respectively throughout the five year.
- Thereafter, it increased in Networking capital by 4.80, 4.40, 3.06, 2.19 and 0.28 the following years.
- Thereafter, it increased in Net profit After tax by 0.36, 0.10, 0.03, 0.35 and 1.54 the following years.
- Thereafter, it increased in period of Receivable by 0.21, 0.16, 0.24, 0.26 and 2.01 the following years.

- Thereafter, it increased in period of Receivable by 2.46, 3.09, 2.95, 2.76 and 0.31 the following years.
- Thereafter, it Increased in Debtors collection period by 148, 118 , 124, 132 and 178 the following year

5.2 SUGGESTIONS: -

- The manpower needs to be assessed in relation to production and sales. The excess of employees should be removed through various measures like VRS, retirement's and restructuring the requirement of new employees.
- There are various global challenges that are faced by every company in the present competitive environment and J K FENNER (INDIA) LTD is not any exemption. To face the present global challenges the human resources department should be developed to improve various skills among the employees specially the motivational skills and having the regular training for the employees about various developments in the market.
- The marketing department should be restructured on profit center and product line basis. The new marketing strategy should also make efforts to regain the agents in Germany and UK. They should also make efforts to regain the defiance and railways and find new markets for expansion.
- There are various developments taking in the industry to change it the company should develop a full-fledged research and development department for bringing technological change and improvement in design and process.
- The policy of development new market with the accreditation of ISO 9001 and C.E. making for certain products should be continuous as it will help in development the confidence of foreign buyers.

- The sundry debtors should be efficiently managed so that the outstanding are to be cleared at short intervals. The company should appoint different areas on a success fees basis to collect the debtors.
- The cost of holding inventory is too high so the inventory holding period is to be reduced and to build up inventory in anticipation of export orders from Russia and Germany.
- The company has to make new joint venture with other companies in order to reduce the losses.
- The current assets should be managed more effectively so as to avoid unnecessary blocking of capital that could be used for other purposes.
- The Working Capital requirement is to be assessed based on the norms circulated by RBI for the machine tools industry.

5.3 CONCLUSION

Lack of control over cash flows and inefficient cash management can be very harmful to business. More often than not, it is the improper management of cash that has caused businesses to fail. Effective cash management is therefore a necessity for businesses. Companies heavily rely on knowing their cash position to manage working capital requirements such as ordering inventory, raw material, or acquisitions/expansion program, for which they need a clear idea of how much cash is required, and when. This is enabled by the Efficient Cash Management System. Here are some areas with scope for improvement.

Today, company is leveraging Cash Management System as a tool to build long-term trust with their customers, because these systems will empower them and manage companies and their position at any given time, thus building a trust and strengthening the relationship that goes beyond transaction banking.

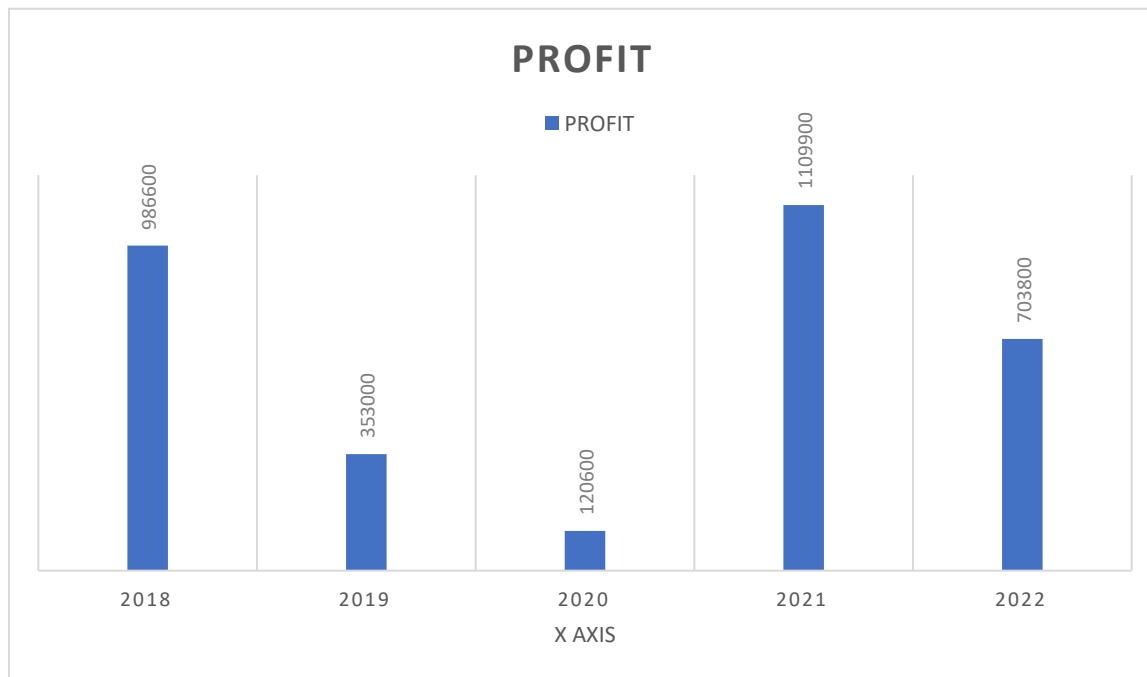
CONSOLIDATED BALANCE SHEET OF J K FENNER (INDIA) LTD

FISCAL YEAR	2018	2019	2020	2021	2022
ASSETS					
CURREN ASSETS:					
Cash	53,000	52,000	2,02,000	21,000	74,000
Cash at bank	2,39,000	4,47,000	2,77,000	2,59,000	2,31,000
Stock	5,69,000	1,87,000	6,41,000	11,08,000	14,62,000
sundry debtors	11,28,000	11,95,000	12,19,000	11,62,000	14,87,000
Total current assets	19,89,000	18,81,000	23,39,000	25,50,000	32,54,000
fixed assets:					
Gross block- depreciation	6,13,000	6,13,000	5,69,000	5,33,000	4,48,000
Total Fixed Assets	6,13,000	6,13,000	5,69,000	5,33,000	4,48,000
TOTAL ASSETS	26,02,000	24,94,000	29,08,000	30,83,000	37,02,000
CURRENT LIABILITIES					
CAPITAL					
Share Capital	1,40,000	1,40,000	1,40,000	1,40,000	9,50,000
Share Application ad..	9,00,000	6,31,000	10,21,000	7,37,000	71,000
Reserves and Surplus	-	-	-	-	1,40,000
CURRENT LIABILITIES:					
CREDITORS	7,61,000	9,60,000	3,63,000	10,41,000	11,53,000
PROVISIONS	50,000	80,000	8,00,000	43,000	3,61,000
OTHERS	-	-	-	-	1,34,000
LOAN FUND:					
SECURED LOAN	7,51,000	6,83,000	5,84,000	11,22,000	8,63,000
UNSECURED LOAN	-	-	-	-	30,000
TOTAL LIABILITIES	26,02,000	24,94,000	29,08,000	30,83,000	37,02,000

PROFIT AND LOSS ACCOUNT IN J K FENNER (INDIA) LTD

PARTICULARS	2018	2019	2020	2021	2022
REVENUE:					
GROSS RECEIPTS	46,51,000	49,54,000	45,76,000	54,51,000	45,77,300
MISCELLANEOUS INCOME	-	-	400	-	-
TOTAL REVENUE	46,51,000	49,54,000	45,76,400	54,51,000	45,77,300
EXPENDITURE:					
Cost of Goods Sold	27,72,200	36,98,000	35,93,000	32,10,000	40,56,500
Administrative Expenses	5,90,000	6,00,000	8,97,000	8,48,100	9,17,000
Financial Charges	1,67,000	1,58,000	83,000	82,000	1,67,200
Selling Expenses	37,200	38,000	83,000	1,00,000	80,400
Depreciation	82,000	85,000	71,000	79,000	82,000
TOTAL EXPENDITURE	36,48,400	45,79,000	47,27,000	43,19,100	53,03,100
PROFIT/(LOSS)	10,02,600	3,75,000	1,50,600	11,31,900	7,25,800
LESS: Provision for Tax	11,000	7000	13,000	4000	15,000
Provision for fringe Benefit Tax	5000	15000	17,000	18,000	7000
PROFIT AFTER TAX	9,86,600	3,53,000	1,20,600	11,09,900	7,03,800

COMPERSON OF PROFIT AND LOSS OF J K FENNER (INDIA) LIMITED



Therefore, the Company Increase the sales after Covid-19 so the profit of the companyIncrease in the year ASSEMENT YEAR 2021-2022.

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APPENDIX II - ARTICLE

A STUDY ON CASH MANAGEMENT WITH REFERENCE IN JK FENNER INDIA LTD

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ABSTRACT

The project titled “A Study on cash management for J K FENNER (INDIA) LTD” Deals with the movement of money into or out of a business, project, or financial product. It is usually measured during a specified, finite period of time. A firm should aim at maximizing the wealth of its shareholders. In its endeavor to do so, a firm should earn sufficient return from its operation. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current asset for generating sales. Current asset is needed because sales do not convert into cash instantaneously. There is always an operating cycle involved in the conversion of sales into cash. The objectives are to analyse the Cash management and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm.

INTRODUCTION

Cash management is the corporate process of collecting and managing cash, as well as using it for short-term investing. It is a key component of a company's financial stability and . Corporate treasurers or business managers are frequently responsible for overall cash management and related responsibilities to remain solvent. Cash flow is the movement of money in to and out of a business. Inflows– money coming in–typically arrive in the form of customer payments; bank loans are also inflows. Outflows– money leaving the business–are generally expenses, including payments on purchases, overhead, and loan payments.

OBJECTIVE OF STUDY

- To study on Cash Management with reference to J K FENNER (INDIA) LTD.
- To know how to manage receivable, inventory and cash.
- To study the different sources of financing capital.
- To study the operating cycle of company.
- To study the liquidity position of a company.

NEED OF THE STUDY

Visibility in terms of cash balances becomes a key driver to reduce idle cash. Leaving cash in a local account reduces return and does not make the cash actively available to the group, curtailing optimal utilization of available liquidity, thereby increasing the utilization of credit lines.

SCOPE OF THE STUDY

The study covers all the components of current assets and current liabilities for the year 2018-2022. The study also deals with the various ratios imparted in the organization. Working capital is one of the dynamic and vital aspects of the business operation. Eliminating Disparate Systems: Different cash management solutions are being offered for diverse segments. And as businesses grow, managing these disparate systems is increasingly becoming a challenge.

REVIEW OF LITERATURE

Kargar and Blumenthal, (2014). Working capital starvation is generally credited as a major cause if not the major cause of small business failure in many developed and developing countries.

Rafuse, (2016). The success of a firm depends ultimately on its ability to generate cash receipts in excess of disbursements. The cash flow problems of many small businesses are exacerbated by poor financial management and in particular the lack of planning cash requirements.

Peel and Wilson (2016) have stressed the efficient management of working capital, and more recently good credit management practice as being pivotal to the health and performance of the small firm sector. Along the same line, Berry et al (2012) finds that SMEs have not developed their financial management practices to any great extent and they conclude that owner-managers should be made aware of the importance and benefits that can accrue from improved financial management practices.

RESEARCH METHODOLOGY

Research is an organized, systematic, database, critical, objective, scientific, inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to it.

RESEARCH DESIGN

Analytical research technique was adopted in this project. The researcher used an analytical type of research to analyze past data based on which certain future decision can be made.

SOURCES OF DATA

SECONDARY DATA

These data, which have already been collected, compiled and presented. Earlier by any agency, may be used for the purpose of investigation. Such data may be called secondary data. Secondary data may earlier be published data or unpublished data. Usually published data are available in annual report.

TOOLS FOR ANALYSIS

- Ratio analysis
- Cash flow Statement
- Fund flow Statement

DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO

S. NO	YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
1	2018	19,89,000	8,11,000	2.45
2	2019	18,81,000	10,40,000	1.81
3	2020	23,39,000	11,63,000	1.62
4	2021	25,50,000	10,84,000	2.35
5	2022	32,54,000	16,48,000	1.97

INTERPRETATION

The ideal time of the current ratio of J K fanner India limited of the financial year 2018 is 2.45, Financial year 2019 is 1.81, Financial year 2020 is 1.62, Financial year 2021 is 2.35.

FIXED ASSETS RATIO

Sl. No.	Year	Fixed assets	Long term funds	Fixed asset ratio
1	2018	6,13,000	7,51,000	0.82
2	2019	6,13,000	6,83,000	0.90
3	2020	5,69,000	5,84,000	0.97
4	2021	5,33,000	11,22,000	0.47
5	2022	4,48,000	8,63,000	0.52

INTERPRETATION

The Fixed assets to long term funds of J.K. FENNER remained 0.82 IN 2018, 0.90 in 2019, 0.97 in 2020, 0.47 in 2021, and 0.62 in 2022 respectively throughout the five year.

CASH FLOW STATEMENT OF J K FENNER (INDIA) LTD FOR THE YEAR 2019

PARTICULARS	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES:	
Profit/Loss before Taxation	10,02,600
ADD: Depreciation	85,000
ADD: Finance Cost	9,17,600
ADD: Decrease in inventories	1,58,000
LESS: Increase in Debtors	10,75,600
Cash generated from operations	3,82,000
LESS: Tax	(67,000)
NET CASH FLOW FROM OPERATING ACTIVITIES	13,90,600
Cash flow from investing activities	22,000
LESS: Purchase of assets	13,68,600
	(1,08,000)
LESS: Cash receipts from loans and advances	12,60,600
	(68,000)
Cash flow from investing activities	11,92,600
Proceeds from issue of shares	2,69,000
NET INCREASE IN CASH	
CASH AND CASH EQUIVALENT IN THE BEGINNING	9,22,600
CASH AND CASH EQUIVALENT AT THE END	53,000
	8,69,600

DEBTORS COLLECTION PERIOD

Year	No of Days	Debtors Turnover Ratio	Debtors Collection Period in Days
2018	364	2.46	148
2019	365	3.09	118
2020	365	2.95	124
2021	365	2.76	132
2022	365	2.05	178

INTERPRETATION

Thereafter, it Increased in Debtors collection period by 148 in 2018, 118 in 2019, 124 in 2020, 132 in 2021 and 178 in 2022 respectively throughout the years.

FINDINGS

- The current ratios of J.K. Fenner remained respectively 2.45, 1.81, 1.62, 2.35, and 1.97 throughout the five-year study period. The mean of current ratios came to be 2.45.
- Thereafter, it Increased in Debtors collection period by 148, 118 , 124, 132 and 178 the following year
- The Fixed assets to long term funds of J.K. FENNER remained 0.82, 0.90, 0.97, 0.47, and 0.62 respectively throughout the five years.

CONCLUSION

Lack of control over cash flows and inefficient cash management can be very harmful to business. More often than not, it is the improper management of cash that has caused businesses to fail. Effective cash management is therefore a necessity for businesses. Companies heavily rely on knowing their cash position to manage working capital requirements such as ordering inventory, raw material, or acquisitions/expansion program, for which they need a clear idea of how much cash is required, and when. This is enabled by the Efficient Cash Management System. Here are some areas with scope for improvement.

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