



A Comparative Study on Cash Flow Statements of Welspun India Ltd. and Ghcl Ltd.

KEYWORDS

Cash, Cash flow, Operating Activities, Investing Activities, Financing Activities

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ABSTRACT The Indian textile industry is one of the largest in the world with a massive raw material and textile manufacturing base. As a US\$3 billion company, Welspun group is one of the India's fastest growing conglomerates, while as a global company, GHCL, India is customer-focused committed to high quality delivery. When the management is interested to know the movement of cash and the availability of cash, the cash flow analysis provides this information. According to Accounting Standard-3 (AS-3), cash flow is classified into three main activities namely, "Operating Activities", "Investing Activities" and "Financing Activities". This study helps one to know the actual liquid position or position of cash on hand and also to ascertain whether the business is able to get enough cash to meet the liabilities as and when they arise.

INTRODUCTION

Cash play a very important role in the entire economics life of the business. All business transactivities ultimately result into cash inflows or cash outflow. Cash is the soul and heart of the business and success of every business depends on its cash management. Thus the supply of cash is frequently a limitation on the successful execution of many policies and programs. The ICAI has issued Accounting Standard-3 for preparing cash flow statement. According to amendment to companies Act, it has been made compulsory for all companies to implement all accounting standard issued by the institute. So it is necessary to study the composition of cash of company to know the impact of its cash inflow decision on its liquidity, profitability and solvency.

REVIEW OF LITERATURE:

Dinesh A. Patel (1992) in his study, "Financial analysis – A study of Cement Industry in India" aimed to examine the profitability in the cement industry and also found out the financial position of the industry. The finding shows that the profitability of cement industry was very unsatisfactory and liquid position and short term strength of all selected companies were not good.

Jayesh R. patel (2002) in his cash study entitled, "Financial Analysis-A cash study of sugar factory in Valsad and Navsari district", aimed to evaluate analysis and appraise the financial performance of the sugar factories selected for the study. The major finding of the study reveals that the cash position in the sugar factory was very poor. The liquid position of the sample unit was not satisfactory.

M. Girish Ved (2003-'04) in his study project entitled, "Study on financial statement and its evaluation at Gujarat Co-operative Milk-Marketing Federation, Anand" studied to know the financial position of the company and also check the profitability of the company. In this study, the company showed an improving trend in all financial analysis and reflected a healthy financial position. The liquid position of the company was also satisfactory.

RESEARCH METHODOLOGY:

Objectives:

In cash flow statements three important activities are significant, the analysis of which is undertaken with the fol-

lowing objectives:

- To carry out comparative study on Operating Activities.
- To carry out comparative study on Investing Activities.
- To carry out comparative study on Financing Activities.

Sample selection:

For the purpose of the study, two companies, i.e., Welspun Ltd and GHCL Ltd have been selected.

Period of study:

The present study cover the span of five years from 2009-'10 to 2013-'14. This study period is long enough to desire meaning full conclusion.

Data collection:

Collection of data is essential part of the work. Only data collection is not sufficient but to analyze and interpret and present them in a meaningful way is also important. In this study mainly secondary data is collected. Secondary data has been obtained from the following sources:

- Published annual reports.
- Websites of the selected companies.
- Reference books.

Table 1: Year wise DATA from Welspun India Ltd. and GHCL Ltd.(Rs. in Crores)

ACTIVITIES	2009-'10		2010-'11		2011-'12		2012-'13		2013-'14	
	Welspun	GHCL	Welspun	GHCL	Welspun	GHCL	Welspun	GHCL	Welspun	GHCL
Net Cash Flow From Operating Activities	182.31	191.96	241.09	208.86	397.41	387.29	388.08	465.09	333.36	390.59
Net Cash Flow From Investing Activities	-64.91	349.27	-274.21	-31.44	-234.27	37.39	-204.27	175.29	-642.89	-113.04
Net Cash Flow From Financing Activities	-83.2	-64.56	59.48	-240.44	-355.61	-351.23	-184.83	-288.32	435.06	-64.95

Tools and Techniques:

The following tools and techniques were used to analyze data.

- Accounting Techniques: Accounting technique such as cash flow statement itself has been used for the study.
- Statistical Techniques: Mean, Standard Deviation and coefficient of variation have been utilized for the analysis of data.
- Graphic Representation: Charts have been used for the clear understanding of the data.

Figure 1: Graphical representation of Cash flow from Operating Activities, Investing Activities and Financing Activities.

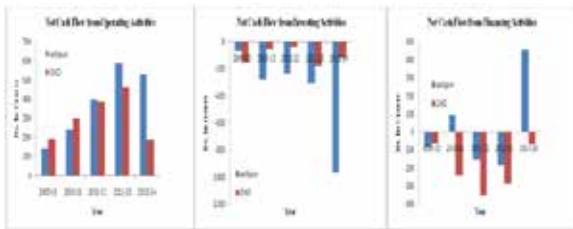


Table 2: Comparative Statistical Analysis

YEAR	Net Cash Flow From Operating Activities		Net Cash Flow From Investing Activities		Net Cash Flow From Financing Activities	
	Welspun	GHCL	Welspun	GHCL	Welspun	GHCL
2009-'10	142.31	191.96	-64.91	-149.37	-83.2	-64.56
2010-'11	241.09	298.84	-274.31	-51.44	95.48	-240.44
2011-'12	397.41	387.29	-234.27	-37.39	-155.61	-351.23
2012-'13	588.08	462.09	-304.27	-175.39	-184.85	-288.12
2013-'14	531.36	190.39	-962.63	-115.06	455.08	-64.95
Total	1900.25	1530.57	-1840.39	-528.65	126.9	-1009.3
Mean	380.05	306.114	-368.078	-105.73	25.38	-201.86
Rank	1	2	2	1	1	2
Standard Deviation	188.615	119.785	345.026	60.129	263.771	131.183
Rank	2	1	2	1	2	1
Coef-ficient Of Variation	0.50	0.39	-0.94	-0.57	10.39	-0.65
Rank	2	1	1	2	2	1

FINDINGS:

Different techniques, Accounting as well as Statistics can be used for the performance evaluation of both the companies. Apart from Accounting analysis, statistical analysis is also applied to come to the reasonable conclusion.

Interpretation as per Accounting Standard-3:

According to Cash Flow Analysis as per Accounting Standard-3 (AS-3), we can see that in Operating Activities; Welspun is better than GHCL Company; in Investing Activities, GHCL Company is better than Welspun Ltd and in the case of Financing Activities, Welspun is much better than GHCL Company in last year.

Interpretation by Rank:

1. Mean:

Mean of Operating Activities for Welspun Company (380.05) is higher than that of GHCL Company (306.114), so Welspun Company stood at 1st rank.

But in case of Investing Activities, Mean of GHCL Company (-105.73) subsides the Welspun Company (-368.078) and stood at 1st rank.

And in case of Financing Activities, Mean of Welspun Company (25.38) is greater than the GHCL Company (-201.86), thus Welspun Company stood at 1st rank.

2. Standard deviation (SD):

Standard Deviation of Operating Activities for GHCL Company (119.785) is lower than Welspun Company (188.615), so GHCL Company stood at 1st rank.

In case of Investing Activities, the Standard Deviation of GHCL Company (60.128) is lesser than Welspun Company (345.025), so GHCL Company stood at 1st rank.

Similarly, in case of Financing Activities, the Standard Deviation of GHCL Company (131.183) is lower than Welspun Company (263.770) and thus the rank has been maintained.

3. Co-efficient of Variation:

Co-efficient of variation of Operating Activities of GHCL Company (0.339) is lower than the Welspun Company (0.50), so GHCL Company stood at 1st rank.

In case of Investing Activities, the Co-efficient of variation of Welspun Company (-0.94) is lower than the GHCL Company (-0.57), so Welspun Company stood at 1st rank.

In case of Financing Activities, the Co-efficient of variation of GHCL Company (-0.65) is lower than the Welspun company (10.39) and stood 1st rank.

❖ Limitation of the study:

There is no activity that can be completed without any limitations. The main limitations faced during the preparation of this study are as follow:

- The study solely depends upon the secondary data obtained from the published annual report of respective companies, so in the study all limitations in the published financial statement inherit in analysis.
- The present study is based on the analysis of the five year data, which may not be sufficient in some cases.
- It touches only the financial aspects of the companies under study.

CONCLUSION AND RECOMMENDATION:

Considering above Interpretation, according to Accounting Standard-3 (AS-3), in Operating Activities and Financing Activities, Welspun Company is found to be better but if we see statistical analysis, GHCL Company is better as it is steadily moving while Welspun Company fluctuates more. Whereas in Investing activities, GHCL Company is better and statistical analysis also reveals the same i.e. the steady nature of GHCL Company.

The overall scenario says that GHCL Company is growing steadily while Welspun Company is fluctuating more.

Thus if Welspun Company improves the rate of consistency in all three cash flow activities, it would become stronger than GHCL Company.

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