

## **AN IMPACT OF CASH FLOW ON BUSINESS SUSTAINABILITY WITH SPECIAL REFERENCE TO KSM POLY PLASTIC PVT LTD, HYDERABAD**

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### **ABSTRACT**

This paper examines the limitations of cash flow impact on business sustainability with a specific focus on KSM Poly Plastic Pvt Ltd. While cash flow is integral to operational health and long-term viability, several factors constrain its effectiveness in ensuring sustainability. Market volatility, dependence on key customers, and inefficiencies in receivables management are critical external and internal challenges. Additionally, the necessity for capital expenditure, economic conditions, regulatory compliance, and supply chain disruptions further complicate cash flow management. Furthermore, limited access to financing and operational inefficiencies exacerbates these challenges. Understanding these limitations is crucial for KSM Poly Plastic Pvt Ltd to develop robust strategies, mitigate risks, and sustain long-term growth through effective cash flow management.

**Keywords:** Business Sustainability, Receivable Management, Market Volatility and Financial Activities.

### **1. INTRODUCTION**

In financial accounting, a cash flow business, also known as business of cash flows or funds flow business, is a financial business that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. Essentially, the Cash Flow Business is concerned with the flow of cash in and cash out of the business.

The business captures both the current operating results and the accompanying changes in the sheets an analytical tool, the business of cash flows is useful in determining the short-term viability of a company

- People and groups interested in cash flow business include:
- Accounting personnel, who need to know whether the organization will be able to cover payroll and other immediate expenses
- Potential lenders or creditors, who want a clear picture of a company's ability to repay
- Potential investors, who need to judge whether the company is financially sound
- Potential employees or contractors, who need to know whether the company will be able to afford compensation
- Shareholders of the business.

### **2. NEED OF THE STUDY**

Many business owners disregard the importance of cash flow business because they unwittingly believe that their current financial standing can be construed from other financial reports and projections. Unfortunately, however, a Cash Flow Business is necessary to adequately assess the incoming and outgoing flow of cash and other resources in a business. Not only will a business owner with a cash flow system be more aware of his or her financial standing, but it will also help investors to make educated decisions on future investments. A business with regular and reliable cash flow business shows more economic solvency, and is more attractive to investors.

### **3. SCOPE OF THE STUDY**

Since the study of a micro level of all cement industries in Andhra Pradesh does not possible, so the study is restricted to KSM POLY PLASTIC. A study that involves an examination of long term as well as short term sources that a company taps in order to meet its requirements of finance .

The scope of the study is confined to the sources that KSM POLY PLASTIC tapped over the years under study i.e. 2019-2023.

### **4. OBJECTIVES OF THE STUDY**

- To identify the changes in the elements of focus and uses of working capital in between above mentioned years.
- To examine the financial performance of the company.
- To understand the Cash Flow Business is that the cash flows from operating activities, investing activities and financing activities.
- To examine the business in balance sheet and income affect cash and cash equivalents.

## 5. REVIEW OF LITERATURE

**Leonke (1970)** evaluated the current ratio and he proposed a new liquidity index which is defined as the ratio of the projected practical maximum rate of at flow. The projected and retrospective indexes and this variants were presented as a basis for discussion for the purposes of internal financial analysis.

**Robert Edmister's (1972)** studied that the develops and empirically tests a number of methods of analysis, financials ratio to predict small business failure Using the step-wise multiple discriminate analysis with independent variables a highly accurate test sample, was developed.

**Braj kishor (1978)** attempted that to give a general frame work to analyze working capital policy issues both for public enterprises and private business firms. He analyzed the financing of current asset first. The alternatives of long term tests and current liabilities have been evaluated on the basis of cost and risk.

**Bartwal and Nair (1979)** examined the profit and loss data used from stock exchanges directory for the year 1971-72 for 10 industries. The major result of this study was: 8 out of the 10 industries has evidenced increasing or decreasing returns to scale. The L shaped curve reflecting constant returns to scale was found valid only for two industries.

**Venkatchalam and Dakshinamoorthy (1983)** found that the capital trends in Indian private corporate sector analyzed the working capital trends in the medium and large public limited companies in India over a decade 1973-1974 to 1982-83. This study was based on the RBI data. In this study in the context of the quantum of current assets is investment. It was observed that current liabilities and equally long term loan had been the major forms of financing current assets, investment in the public limited companies accounting for a minimum of 87 percent to a maximum of 99.5 percent.

**Syed Zabid Hossion (1997)** concluded that the competitiveness of Indian Textiles in the European Economic Community: 1974-85", had made an empirical comprehensive analysis of India's export performance in the EEC Market in textiles and clothing during 1974-85.

**Hyun-Han Shin and Luc Soenen (1998)** focused their study on efficiency in working capital management and corporate profitability of 58,985 firms covering a period from 1975-1994. The study found that there exists a strong negative relationship between the length of the firms Net Trade Cycle (NTC) and its profitability.

**Amit Mallick and Debasish Sur (1998)** examined the relationship between return on investment and working capital management in tea industry. Simple correlation and multiple regression analysis have been applied to find out the relationship between return on investment and each of the working capital ratios to assess the joint effect of those upon the profitability and to test the significance of cause and effect.

## 6. RESEARCH METHODOLOGY

### Secondary data:

The secondary data was collected from the literate available in libraries and Research studies and annual reports are related to the present study. It includes published and unpublished literature like books, reports and generally articles of the KSM POLY PLASTIC. The study of Trading A/C, Profit and Loss A/C and Balance sheet of KSM POLY PLASTIC (2019-2023).

## 7. LIMITATIONS OF THE STUDY

- If one or more key customers reduce orders or face financial difficulties, it can lead to sudden cash flow shortages, affecting the company's ability to sustain operations.
- If KSM Poly Plastic extends long credit terms or experiences delays in collecting payments, it can strain cash flow, limiting the company's ability to pay its own suppliers and employees on time.
- Large capital expenditures can deplete cash reserves and increase financial risk, especially if they do not generate immediate returns. This can compromise short-term cash flow and, consequently, sustainability.
- Delays or shortages in raw materials can halt production, leading to lost sales and increased operational costs, affecting the company's financial stability.

## 8. DATAANALYSIS AND INTERPRETATION

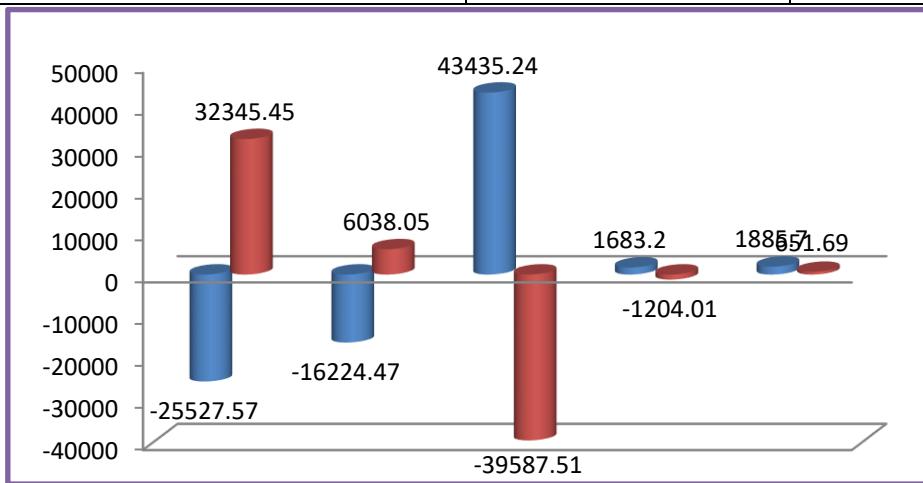
### Cash flow business of KSM poly plastic from the year 2019-2023

CASH FLOW BUSINESS for the year ended 31st March 2023 (in Rs lakhs)		
	31st March 2023	31st March 2022
<b>Cash flow from operating activities:</b>		
Net profit before taxation	38,096.92	44,139.55

Add adjustments for:		
Depreciation/ amortization	1,956.90	1,355.60
Depreciation on investment property	45.3	-
Interest and other finance charges	2,214.37	3,035.65
Interest income	-18,734.50	-19,506.35
Discount received on debentures	-271.04	-
Dividend income	-120.88	-95.92
provision for doubtful debts/write back	-656.45	200.04
provision for contingencies (net)	-	-
(profit)/loss on sale of fixed assets (net)	-39.43	-26.71
(profit)/loss on sale of investments (net)	-615.47	-371.07
(Profit)/loss on non current investments(net)	-103.09	-82.65
(profit)/loss on buyback of debentures(net)	-	-
Provision for diminution in value of investment/ (write back)	126.29	-22.2
operating profit before working capital changes	21,898.92	-28,625.94
Adjustments for changes in working capital :		
Other long term liabilities	-13.60	-1,153.13
Trade and other payables	-18,225.68	47,301.42
Provisions long term and short term	-0.21	178.98
Other current liabilities	-9,652.89	7,439.53
Loans and advances	11,083.95	-9,635.38
Other non-current assets	-	-
Trade and other receivables	11,568.01	-64,837.28
Stock in trade	28,150.74	-18,763.57
Other current assets	-	-
cash generated from operations	44,809.24	-10,843.49
Taxes paid including fringe benefits tax(net of refunds)	-12,463.79	-14,684.08
Net cash (used in)/ from operating activities(A)	<b>32,345.45</b>	<b>-25,527.57</b>
<b>Cash flow from investing activities:</b>		
Purchase of fixed assets (including capital advances)	-3,068.17	-1,866.37
Proceeds from sale of fixed assets	93.49	130.44
Sale of investments non current	374.33	491.75
Purchase of investments-non current	-19751.41	
sale of investments current	797,265.47	760,221.07
purchase of investments- current	-805,770.80	-758,850.00
proceeds from fixed deposits redeemed/amount place in F.D(net)	18,119.43	-35,443.40
Interest received	18,647.78	18,992.58
Dividend on investments	127.93	99.46
Net cash (used in)/ from investing activities(B)	<b>6,038.05</b>	<b>-16,224.47</b>

<b>Cash flow from financing activities:</b>		
proceeds/(repayment)from of borrowings(net)	2,086.13	-384.08
proceeds from commercial paper	120,864.08	238,862.30
Repayments of commercial paper	-162,500.00	-195,000.00
Interest and other finance charges paid	-37.72	-3,035.65
Net cash (used in)/ from financing activities©	<b>-39,587.51</b>	<b>43,435.24</b>
<b>Net (decrease)/Increase in cash and cash equivalents(A)+(B)+©</b>	<b>-1,204.01</b>	<b>1,683.20</b>
Cash and cash equivalents at the beginning of the year	1,855.70	172.5
Cash and cash equivalents at the end of the year	651.69	1,855.70

<b>COMPARISON OF TWO YEARS CASH FLOW BUSINESS</b>		
	<b>YEAR 2022(In lakhs)</b>	<b>YEAR 2023(in lakhs)</b>
Cash from Operating activities	-25527.57	32345.45
Cash from Investing activities	-16224.47	6038.05
Cash from financing activities	43435.24	-39587.51
Net Increase/(Decrease) in cash and cash equivalents	1683.2	-1204.01
Cash and cash equivalents at the end of the year	1885.7	651.69

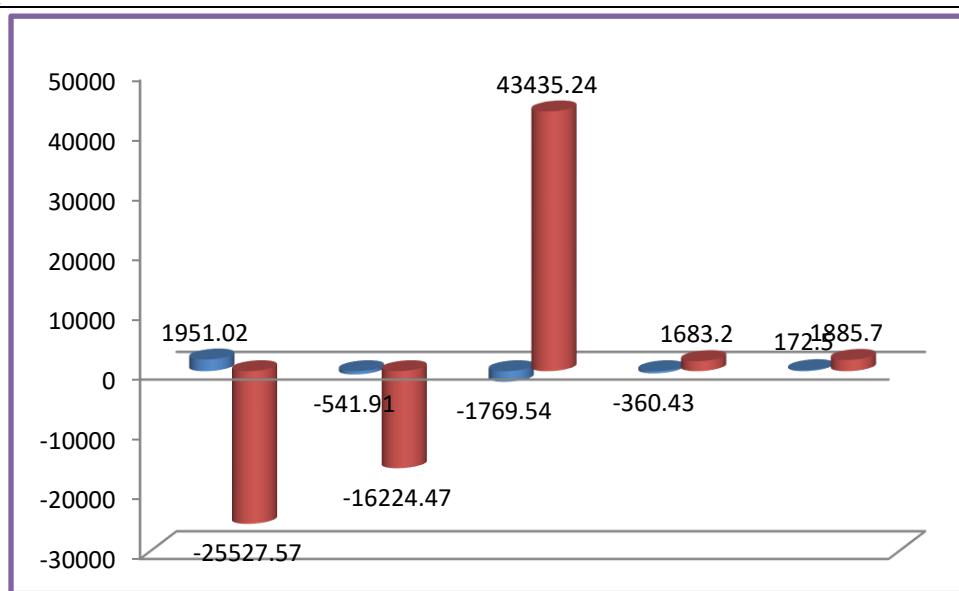


**GRAPH NO: 1**

**Interpretation:**

The above CASH FLOW BUSINESS has been prepared under the “Indirect Method” as set out in Accounting standard-3 cash flow business. The Net cash and cash equivalents from the year 2022 to 2023 were decreased. Cash available at the end of the year 2022 was 1,683.20, after considering the beginning cash balance it was 1,855.70. The net cash available at the end of the year 2023 before considering the beginning was (1,204.01), after considering beginning it was increased to 651.69, but the increase is less than the year 2023.

<b>COMPARISON OF TWO YEARS CASH FLOW BUSINESS</b>		
	<b>YEAR 2021(In lakhs)</b>	<b>YEAR 2022(in lakhs)</b>
Cash from Operating activities	1951.02	-25527.57
Cash from Investing activities	-541.91	-16224.47
Cash from financing activities	-1769.54	43435.24
Net Increase/(Decrease) in cash and cash equivalents	-360.43	1683.2
Cash and cash equivalents at the end of the year	172.5	1885.7



**GRAPH.2**

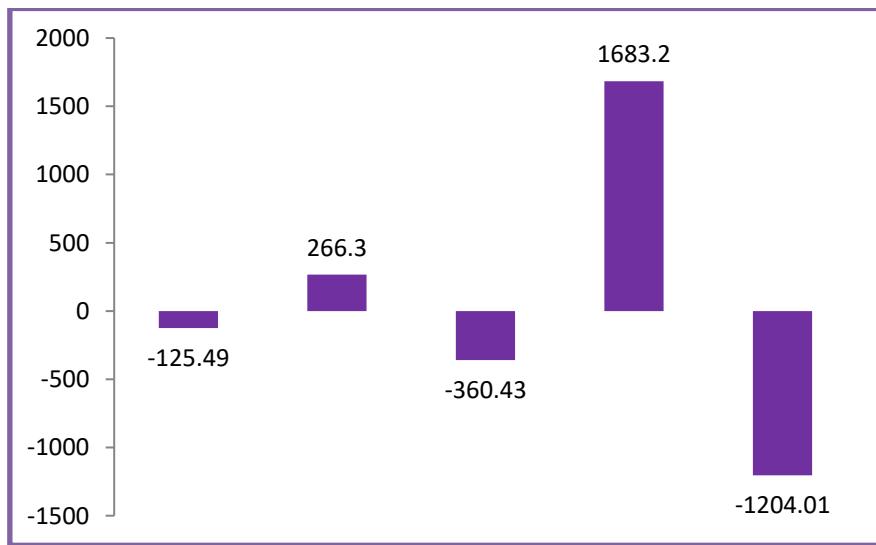
**Interpretation:**

The above CASH FLOW BUSINESS has been prepared under the “Indirect Method” as set out in Accounting standard-3 cash flow business.

The Net cash and cash equivalents from the year 2021 to 2022 were increased. The Net cash available at the end of the year 2021 was (360.43), after considering the cash at the beginning of the year it was 172.5 and cash available at the end of the year 2022 was 1,683.20, after considering the beginning cash equivalents it was 1,855.70

Net Increase/(decrease) in cash and cash equivalents from the year 2019-2023	
Year	Amount (lakhs)
2019	-125.49
2020	266.3
2021	-360.43
2022	1683.2
2023	-1204.01

**Chart representing the changes in Net increase/(decrease) in cash flows from the year 2019-2023.**



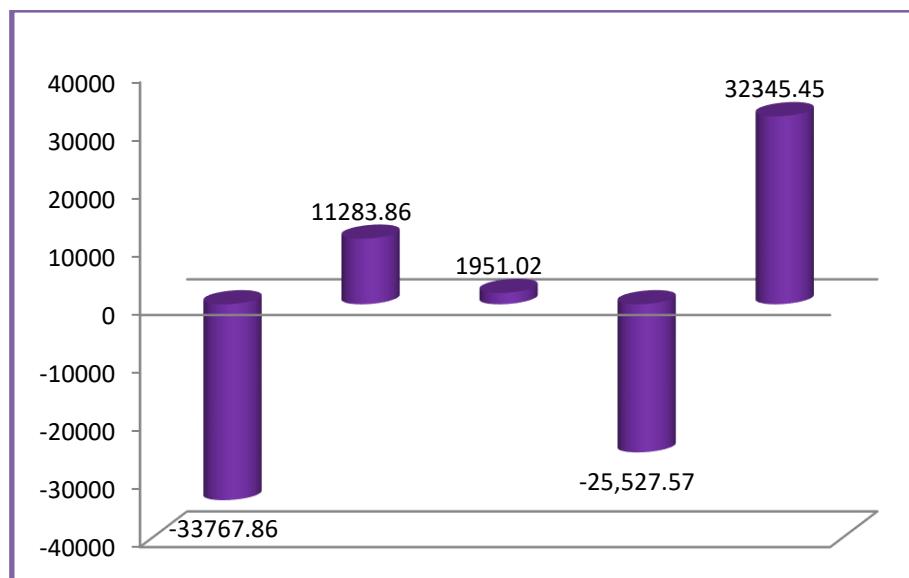
**GRAPH.3**

**Interpretation:**

The above chart representing the Net increase/ (decrease) in cash flows of KSM poly plasticare fluctuating from year 2019-2023. But in the year 2022 Net cash flows are very high, in the year 2023 it is very less compare to other years.

<b>Cash flows from Operating activities from the year 2019-2023</b>	
<b>Year</b>	<b>Amount (lakhs)</b>
2019	-33767.86
2020	11283.86
2021	1951.02
2022	-25,527.57
2023	32345.45

**Chart representing the changes in Operating activities from the year 2019-2023**



**GRAPH.4**

**Interpretation:**

The above chart representing that the cash flows from operating activities of KSM poly plastic from year 2019-2023 are fluctuating. In the 2023 cash from operating activities is high; where as in 2023 it is very low compare to other years.

**BALANCE SHEETS OF KSM POLY PLASTIC FROM THE YEAR 2022-2023**

<b>BALANCE SHEET AS ON 31ST MARCH 2023(in lakhs)</b>		
<b>Particulars</b>	<b>31st March 2023</b>	<b>31st March 2022</b>
<b>I. EQUITY AND LIABILITIES</b>		
1. shareholders' Funds		
(a) Capital	160	160
(b) Reserves and surplus	263308.23	238242.21
2. Non-current liabilities		
(a) Other Long-term liabilities	1642.13	1655.73
(b) Long-Term provisions	1222.33	1135.52
3. Current Liabilities		
(a) Short-Term Borrowings	9481.83	46854.97
(b) Trade payables		
(c) Total Outstanding dues of micro enterprises and small enterprises		
(d) Total Outstanding dues of creditors other than micro enterprises and small enterprises	112569.6	130795.28
(e) Other Current Liabilities	5603.77	15256.66

(f) Short-Term Provisions	2697.9	2572.91
<b>TOTAL</b>	<b>396685.79</b>	<b>436673.28</b>
<b>II. ASSETS</b>		
1 Non-current assets		
(a) Fixed Assets		
Tangible Assets	5703.29	7106.83
Intangible Assets	410.36	226.83
(b) Non - Current Investments	101819.92	82966.09
(c) Deferred Tax Asset (Net)	286.98	738.28
(d) Long Term Loans and Advances	4737.82	4588.45
(e) Other Non Current Assets	8380.65	8073.56
2 Current Assets		
(a) Current Investments	12215.64	-
(b) Stock in Trade (Securities)	9470.36	37621.1
(c) Trade Receivables	97489.16	108400.72
(d) Cash and Bank Balances	141055.87	160686.4
(e) Short-Term Loans and Advances	12055.96	23284.91
(f) Other Current Assets	3059.78	2980.11
<b>TOTAL</b>	<b>396685.79</b>	<b>436673.28</b>

<b>PROFIT AND LOSS ACCOUNT FOR THE YEAR END 31ST MARCH 2023 (in lakhs)</b>		
<b>Particulars</b>	<b>For the Year ended 31st March 2023</b>	<b>For the Year ended 31st March 2022</b>
I. INCOME		
(a) Revenue from Operations	75253.59	74174.2
(b) Other Income	22203.79	21809.56
<b>Total Income</b>	<b>97457.38</b>	<b>95983.76</b>
II. Expenses:		
(a) Employee Benefit Expenses	25626.16	23609.33
(b) Interest and Other Financial Costs	2637.22	3384.41
(c) Depreciation and Amortisation Expense on Fixed Assets	1956.9	1355.6
(d) Depreciation on Investment Property	45.3	-
(e) Other Expenses	29094.88	23494.87
<b>Total expenses</b>	<b>59360.46</b>	<b>51844.21</b>
III. Profit Before Tax	38096.92	44139.55
IV. Tax expense:		
(a) Current Tax	12823.59	15056.3
(b) Deferred Tax	451.3	48.45
(c) Tax for earlier years (net)	-243.99	76.85
<b>V. PROFIT/(LOSS) FOR THE YEAR</b>	<b>25066.02</b>	<b>28957.95</b>

## **9. FINDINGS**

- During the period from 2019-2023 KSM poly plastic cash and cash equivalents are fluctuating from one year to year. There is no stability in cash flows.
- During the period from 2019- 2023 the net cash flows of KSM poly plastic are fluctuating but from year 2019-2023 all the cash flows at the end of the year are positive.
- During the period from 2019-2023 there is a lot of difference occurred in cash flows.
- During the period from 2021-2023 the net profit before tax is increasing from year to year, but in the year 2023 net profit before the tax is reduced when compared to 2022.

## **10. SUGGESTIONS**

- In order to reduce the outside borrowings the company can acquire the capital from equity sources. Keeping in view the debt equity the proportion as normal.
- The liquidity of the company should be improved by maintaining the optimum current assets and liquid assets according to standard norms.
- Implementing new policies such as offering discounts to customers who pay early, forming a buying cooperative with other businesses, and using electronic payments for bill paying.
- Healthy cash flow is the result of operations that run efficiently and smoothly.
- To make sure that, the right decisions are to be taken regarding marketing, customer service, product or service development and new customer acquisition.

## **11. CONCLUSION**

KSM Poly Plastic Pvt Ltd demonstrates that effective cash flow management not only ensures short-term financial stability but also cultivates a foundation for long-term sustainability and growth. By implementing proactive cash flow strategies, businesses can enhance their resilience, optimize financial performance, and position themselves for enduring success in competitive markets.

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