

CHAPTER III

DATA PRESENTATION AND ANALYSIS

CHAPTER - III

DATA PRESENTATION AND ANALYSIS

INTRODUCTION

The present study is an attempt to analyse the sources and application of funds of Menon Bearings Limited. This chapter covers four aspects data analysis they are as follows

- 1) Ratio analysis of important ratios
- 2) Changes in working capital analysis
- 3) Cash flow analysis
- 4) Fund flow analysis

3.1 RATIO ANALYSIS

Ratio analysis is a very powerful analytical tool useful for measuring performance of the organization. Ratio analysis is a process of comparison of one figure against another, which make a ratio. Ratio analysis is extremely helpful in providing valuable insight into companies financial picture.

3.2 CHANGES IN WORKING CAPITAL ANALYSIS

Working capital is an important element in business operations. Working capital represents liquid assets that are convertible into cash in the shortest possible time to make cash funds available when required in order to meet the routine expenses of the business towards earning profit. The statement of changes in working capital would explain the changes in working capital during the year

3.3 CASH FLOW ANALYSIS

Cash flow is a useful concept to be used as one of the tool of investment analysis. The concept of cash flow can be used effectively as one of major factures in judging the possibility to meet debt, retirement, requirements to maintain regular dividend and to finance replacement and expansion costs. The cash flow statement shows the cash inflows and cash out flows relating firms operating, investing and financial activities and the increase and decrease in cash and cash equivalents for the period under analysis.

3.4 FUND FLOW ANALYSIS

Fund flow analysis is the useful in knowing the sources of funds and their application. Fund flow statements indicate where cash come from and where it was used. It is very useful tool in analysis of financial statements which analysis the changes taking place between two balance sheet dates. It helps in testing effective use of working capital by the management during a particular period.

3.1 ANALYSIS AND INTERPRETATION OF RATIO

Ratio analysis of Menon Bearings Limited is made in the following pages. It plays an important role in measuring performance of the organisation.

1) Current Ratio

The current ratio measures a firm's ability to raise funds to meet short - term obligations. It is a ratio of firm's total current assets to its total current liabilities. This expresses the relationship between the current assets and current liabilities. This ratio indicates the solvency of the business i.e. ability to meet the liabilities of the business as and when

they full due. Higher the current ratio, the greater the short term solvency and vice - versa. A low ratio indicates that a firm may not be able to pay its future bills on time, and high ratio may indicate an excessive amount of current assets and managements failure to utilize the firm's resources properly. As a general rule current ratio of 2:1 is considered acceptable for most firms. This ratio is calculated as under.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

Table 3.1 Current Ratio in Menon Bearings Limited

Year	Current Assets (Rs. in lakhs)	Current Liabilities (Rs. in lakhs)	Ratio
2001-02	1671.67	545.36	2.96 :1
2002-03	2374.31	774.36	3 :1
2003-04	2551.94	1118.36	2.28 :1
2004-05	2723.78	1128.60	2.41 :1
2005-06	2997.61	1104.05	2.71 :1

SOURCE : ANNUAL REPORTS OF THE COMPANY.

Table 3.1 shows that the current ratio of Menon Bearings Limited was above generally accepted norm of 2:1. The short-term solvency of the company is better. It signifies that current assets are free hold to meet the short-term obligations. The company is able to meet obligations as and when they become due out of its current assets.

2) Quick Ratio / Acid Test Ratio

This is the ratio of quick current assets and quick liabilities. It is subsidiary to current ratio because it reveals the company's ability to meet its immediate current liabilities. It is more rigorous test of liquidity than the current ratio because inventories and prepaid expenses are excluded from the numerator of the ratio, bank overdraft and cash credit is excluded from denominator. This gives a better picture of a firm's ability to meet its short term debts out of the current assets. This ratio shows the ability of a firm to pay its obligations without relying on the sale and collection of its inventories. Quick ratio of 1:1 is considered as ideal. This ratio is calculated as under :

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

Table 3.2 Quick Ratio in Menon Bearings Limited

Year	Quick Assets (Rs. in lakhs)	Quick Liabilities (Rs. in lakhs)	Ratio
2001-02	1332.46	545.36	2.44 :1
2002-03	1952.81	777.36	2.51 :1
2003-04	2020.48	1118.36	1.81 :1
2004-05	2248.00	1128.60	1.99 :1
2005-06	2555.02	1104.05	2.31 :1

SOURCE : ANNUAL REPORTS OF THE COMPANY.

As a guideline acid test ratio 1:1 has traditionally been deemed adequate for most of the firms. A very high ratio indicates that the firm has excessive cash or receivable. A low ratio is usually an indication of possible difficulties in the prompt payment of future bills. From Table 3.2 it can be seen that the liquid ratio of Menon Bearings Limited is above average ratio, it means that the company has excess quick assets than warranted. They may be diverted to other purpose.

3) Debtors Turnover Ratio

To increase the turnover credit sales are effected. The credit sales are expected to be converted into cash over a short period and therefore are included in current assets. Debtors Turnover ratio is calculated by dividing account receivables by net sales and multiplied by 360. It shows the number of days required to convert debtors into cash.

$$\text{Debtors Turnover Ratio} = \frac{\text{Account Receivable}}{\text{Net Sales}} \times 360$$

Table 3.3 Debtors Turnover Ratio in Menon Bearings Limited

Year	Account Receivables (Rs. in lakhs)	Net Sales (Rs. in lakhs)	No. of days
2001-02	470.58	1359.92	126
2002-03	598.55	1744.80	125
2003-04	509.39	1931.37	96
2004-05	721.60	2665.88	99
2005-06	693.57	2498.61	101

SOURCE – ANNUAL REPORTS OF THE COMPANY

This ratio shows as to how many days credit is enjoyed by the debtors. In other words, it shows the number of days money locked up in credit sales. It reflects on the ability of the firm of collecting the receivables. From Table 3.3 it can be seen that the debtors of Menon Bearings Limited enjoyed more than four months credit in year 2002 and 2003. After 2003 on an average 100 days were required to receive amount from debtors. This period needs to be reduced further In order to recover funds at an certain date and utilise them for other purpose.

4) Inventory Turnover Ratio

'Inventory Turnover' means the number of times in a year inventories are sold and replaced. It is an indication of the velocity with which merchandise moves through the business. It is a test of inventory to discover possible trouble in the form of over-stocking or over valuation. It is used for measuring profitability. It is calculated by dividing cost of goods sold by average inventory.

A low inventory turnover may reflect dull business, over investment in inventory or accumulation of absolute and unsaleable goods. A high inventory turnover indicates relatively lower amount of working capital locked in inventories.

$$\text{Inventory Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Inventory at Selling Price}}$$

Or

$$= \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Table 3.4 Inventory Turnover Ratio in Menon Bearings Limited

Year	Net Sales (Rs. in lakhs)	Average inventory (Rs. in lakhs)	Ratio in No. of times
2001-02	1359.92	359.71	3.78
2002-03	1744.79	397.60	4.38
2003-04	1931.36	351.35	5.50
2004-05	2665.87	317.61	8.39
2005-06	2456.77	367.59	6.68

SOURCE – ANNUAL REPORTS OF THE COMPANY

Inventory turnover ratio shows how rapidly the inventories converted into receivables through sales. A high ratio is good from the view point of liquidity and a low ratio would signify that inventories do not sell fast. This ratio has increased from 2001-02 to 2004-05 and decreased in 2005-06. In year 2001-02 the company required 3 months and 5 days for converting inventories into cash in year 2002-03 and 2003-04 the company requires period of 2 months and 22 days and 2 months and 5 days. In year 2004-05 company fastly converted inventories into cash in 1 month and 13 days. In year 2005-06 the ratio is decreased because company requires 1 month & 24 days. The above ratio indicates the company requires average period of 2 months and 7 days. The inventory management of Menon Bearings Limited is quite good.

5) Gross Profit Ratio

Gross Profit ratio reflects the efficiency with which the management produces each unit of product. A high profit ratio as compared that of the other firm in the same industry implies that the firm produces its products at lower cost. Unfavourable purchasing and mark-up policies, the inability of management to increase sales volume, theft, damage, marked reduction in selling prices not accompanied by proportionate decrease in the cost of goods, affects the Gross Profit Ratio. Gross Profit Ratio is calculated as follows.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

Table 3.5 Gross Profit Ratio in Menon Bearings Limited

Year	Gross Profit (Rs. in lakhs)	Sales (Rs. in lakhs)	Ratio
2001-02	548.52	1359.92	44.29%
2002-03	658.32	1744.80	37.73%
2003-04	676.47	1931.37	35.05%
2004-05	962.03	2665.88	36.00%
2005-06	843.65	2498.61	33.76%

SOURCE : COMPANY'S ANNUAL REPORT

From Table 3.5 it can be seen that the gross profit in year 2001 was 44.29 percent and there after it went on decreasing, In 2006 it came down to 33.76 percent. Thus there was sharp decrease of nearly 10 percent in Gross Profit.

6) Net Profit Ratio

Net profit is that proportion of net sales which remains to the owners or shareholders after meeting all costs, charges and expenses including income tax. This ratio is widely used as a measure of overall profitability and is very useful to the proprietor. It is calculated by using the following formula.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit (after taxes)}}{\text{Sales}} \times 100$$

Table 3.6 Net Profit Ratio in Menon Bearings Limited

Years	Net Profit (Rs. In lakhs)	Net Sales (Rs. in lakhs)	Ratio
2002	209.19	1359.92	15.38%
2003	258.67	1744.80	14.83%
2004	236.61	1931.37	12.25%
2005	305.59	2667.88	11.47%
2006	141.41	2498.61	5.66%

SOURCE : COMPANY'S ANNUAL REPORT

From the Table 3.6 it can be seen that the net profit in year 2002 was 15.38 percent. After that year percentage of net profit went down and reached to very low level of 5.66 percent in the year 2006. This shows a serious problem and needs to be investigated further remedial measures should be undertaken to improve it.

3.2 CHANGES IN WORKING CAPITAL ANALYSIS

Changes in working capital analysis of menon Bearings Limited is made in the following pages. Working capital is an important element in business operation. The statement of changes in working capital is useful in knowing the changes in working capital during the period.

Table 3.7 Statement of Changes in Working Capital.

(Rs. in lakhs)

Particulars	2001	2002	Changes in Working Capital	
			Increase	Decrease
<u>Current Assets</u>				
Inventory	360.28	337.44	-	22.84
Sundry Debtors	416.87	470.58	53.71	-
Cash and bank bal.	290.61	419.23	128.62	-
Loans & advances	332.33	444.44	113.11	-
Total (A)	1399.09	1671.67	295.44	22.84
<u>Current Liabilities</u>				
Current Liabilities	119.31	191.72	72.41	-
Provisions	297.12	353.64	56.52	-
Total (B)	416.43	545.36	128.93	-
Networking Capital (A – B)	982.66	1126.33	166.51	22.84
Increase In Net working Capital	143.67	-	-	143.67
Total	1126.33	1126.33	165.51	166.51

SOURCE – ANNUAL REPORTS OF THE COMPANY

From the Table No.3.7 it can be seen that total current assets in year 2001 were Rs.1399.09 lakhs and total current liabilities were Rs.416.43 lakhs. The net working capital in this year is Rs.982.66 lakhs. In year 2002 the total current assets were Rs.1671.67 lakhs and total current liabilities were Rs.1126.33 lakhs and the net working capital is Rs.1126.33 lakhs. There was net increase in working capital by Rs. 143.67 lakhs.

Comparison of different components of current assets shows that

1. Inventory was reduced by Rs. 22.84 lakhs.
2. Sundry debtors increased by Rs.53.71 lakhs.
3. Cash and bank balance increased by Rs. 128.62 lakhs.
4. Loans and advances increased by Rs. 113.11 lakhs.

Comparison of total current liabilities shows an increase of Rs. 128.93 lakhs. Out of this the provisions have increased by Rs.56.52 lakhs. Net increase in working capital was the mainly caused by increase in sundry debtors cash and bank balance and loans and advances.

Table 3.8 Statement of Changes in Working Capital

(Rs. in lakhs)

Particulars	2002	2003	Changes in Working Capital	
			Increase	Decrease
<u>Current Assets</u>				
Inventory	337.44	421.09	83.65	-
Sundry Debtors	470.57	598.55	127.98	-
Cash & Bank Balance	419.23	594.86	175.63	-
Loans & Advances	444.45	759.81	315.36	-
Total (A)	1671.69	2374.31	702.62	-
<u>Current Liabilities</u>				
Current Liabilities	191.92	244.65	52.93	-
Provisions	353.64	529.71	176.06	-
Total (B)	545.36	774.36	229.00	-
Networking Capital (A – B)	1126.33	1599.95		-
Net Increase in Working Capital	473.62		473.62	-
Total	1599.95	1599.95	473.62	-

SOURCE – ANNUAL REPORTS OF THE COMPANY

From the Table 3.8 it can be seen that the total current assets in 2002 were Rs.1677.69 lakhs and Rs.2374.31 lakhs in 2003 . The current liabilities in 2002 were Rs.545.36 lakhs and Rs.774.36 lakhs in year 2003. There was net working capital in 2002 is Rs.1126.33 lakhs and in 2003 Rs.1599.95 lakhs. There was net increase in working capital in 2003. The increase in working capital in 2003 due to the increase in current assets by Rs.702.62 lakhs.

Comparison of different components of current reports that

1. Inventory was increased by Rs.83.65 lakhs.
2. Sundry debtors was increased by Rs.127.98 lakhs.
3. Cash and bank balance was increased by Rs.175.63 lakhs.
4. Loans & advances was increased by Rs.315.36 lakhs.

Comparison of total current liabilities shows an increase of Rs.229 lakhs out of this provisions has increase by Rs.176.06 lakhs and current liabilities by 52.93 lakhs. Net increase in working capital was the mainly cased by increase in all current assets.

Table 3.9 Statement of Changes in Working Capital

(Rs. in lakhs)

Particulars	2003	2004	Changes in Working Capital	
			Increase	Decrease
<u>Current Assets</u>				
Inventory	421.09	526.59	105.5	-
Sundry Debtors	598.55	509.38	-	89.17
Cash & Bank balance	594.86	689.19	94.33	-
Loand & advances	759.81	826.77	66.96	-
Total (A)	2374.31	2551.94	266.79	89.17
<u>Current Liabilities</u>				
Current Liabilities	244.65	402.96	158.31	
Provisions	529.17	715.40	185.69	
Total (B)	774.36	1118.36	344.00	
Net Working Capital (A – B)	1599.95	1433.58	72.21	89.17
Net decrease in working capital	-166.37			
Total	1433.58	1433.58	72.21	89.17

SOURCE – ANNUAL REPORTS OF THE COMPANY

From the Table 3.9 it can be seen that total current assets in Rs.2374.31 year 2003 were lakhs and total current liabilities were Rs.774.36 lakhs. The net working capital in this year was Rs.1599.95 lakhs. In year 2004 the current assets were Rs.2551.94 lakhs and total current liabilities were Rs.1128.36 lakhs and net working capital was Rs.1433.58 lakhs. There was net increase in working capital by Rs.166.37 lakhs.

Comparison of different components of current assets shows that

1. Inventory was increased by Rs.105.5 lakhs.
2. Sundry debtors was decreased by Rs.89.16 lakhs.
3. Cash and bank balance was increased by Rs.94.33 lakhs.
4. Loan and advances was increased by Rs.66.96 lakhs.

Comparison of total current liabilities shows an increase of Rs. 344.00 lakhs out of this the provisions increased by Rs.185.19 lakhs and current liabilities by Rs.158.31 lakhs. Net decrease in working capital was mainly caused by increase in current liabilities and provisions.

Table 3.10 Statement of Changes in Working Capital

(Rs. in lakhs)

Particulars	2004	2005	Changes in Working Capital	
			Increase	Decrease
<u>Current Assets</u>				
Inventory	526.59	469.01	-	57.58
Sundry debtors	509.38	721.59	212.2	
Cash & bank balance	689.19	728.14	38.95	
	826.77	805.04		21.31
Total (A)	2551.94	2723.78	251.15	79.31
<u>Current Liabilities</u>				
Current liabilities	402.96	356.54	-	46.42
Provisions	715.40	772.06	56.66	
Total (B)	1118.36	1128.60	56.66	46.42
Net Working Capital (A – B)	1433.58	1595.18	194.49	32.89
Increase in Working Capital	161.60			
Total	1595.18	1595.18	194.49	32.89

SOURCE – ANNUAL REPORTS OF THE COMPANY

From the Table 3.10 it can be seen that total current assets in year 2005 were Rs.2723.78 lakhs and current liabilities were Rs.1128.60 lakhs and the net working capital in this year was Rs.1595.18 lakh. In year 2006 the total current assets were Rs.2991.61 lakhs and total current liabilities were Rs.1104.05 lakhs and net working capital in this year was Rs.1887.56 lakhs. There was net increase in working capital by Rs. 292.38 lakhs.

Comparison of different components of current assets shows that

1. Inventory was reduced by Rs. 40.89 lakhs.
2. Sundry Debtors reduced by Rs. 99.77 lakhs
3. Cash and bank balance was increased by Rs. 49.73 lakhs
4. Loans and advances was increased by Rs.358.76 lakhs.

Comparison of total current liabilities shows an increase of Rs. 24.55 lakhs. Out of this provisions increased by Rs. 35.38 lakhs and current liabilities decreased by Rs. 59.93 lakhs. Net increase in working capital was caused by increase in cash and bank balance and loans and advances.

Table 3.11 Statement of Changes in Working Capital

(Rs. in lakhs)

Particulars	2005	2006	Changes in Working Capital	
			Increase	Decrease
<u>Current Assets</u>				
Inventory	469.01	428.12		40.89
Sundry Debtors	721.59	621.82		99.77
Cash & bank balance	728.14	777.87	49.73	
Loans & Advance	805.04	1163.80	358.76	
Total (A)	2723.78	2991.67	408.49	140.66
<u>Current Liabilities</u>				
Current Liabilities	356.54	296.61		59.93
Provisions	772.06	807.44	35.38	
Total (B)	1128.60	1104.05	35.38	59.93
Net Working Capital (A – B)	1595.18	1887.56	373.11	80.73
Increase in Working Capital	292.38			292.38
Total	1887.56	1887.56	373.11	373.11

SOURCE – ANNUAL REPORTS OF THE COMPANY

From Table 3.11 it can be seen that total current assets in year 2004 were Rs.2551.94 lakhs and total current liabilities were Rs.1118.36 and net working capital was Rs.1433.58 lakhs. In year 2005 the total currents were Rs.2723.78 lakhs and total current liabilities were Rs.1128.60 lakhs and net working capital was Rs.1595.18 lakhs. There was net increase in working capital by Rs. 161.60 lakhs.

Comparison of different components of current assets shows that

1. Inventory was decreased by Rs.57.58 lakhs.
2. Sundry debtors was increased by Rs.212.2 lakhs.
3. Cash and bank balance was increased by Rs.38.95 lakhs.
4. Land and advances was decreased by 21.31 lakhs.

Comparison of total liabilities shows an increase of Rs. 10.24 lakhs, out of this current liabilities decreased by Rs.46.42 lakhs and provisions was increased by Rs.56.66 lakhs.

3.3 CASH FLOW ANALYSIS

Cash flow analysis of Menon Bearings Limited is made in following pages. It helps in knowing inflows and outflows of cash relating firms operating, investing and financial activities.

**Table 3.12 Cash Flow Statement of Menon Bearings Limited
For the Year 2001-2002**

		(Rs. in lakhs)	
		2002	2001
Cash Flow From operating activity			
Net Profit before tax and extraordinary items		206.66	293.09
Add : Adjustments for			
Depreciation		93.12	86.77
Operating Profit before Working capital change		299.78	379.86
Adjustments for			
Trade and Other Receivables	166.82		
Inventory	(22.84)		
Trade Payable	(135.91)	8.07	0.48
Cash Generated from operations		291.71	379.38
Interest Paid		50.57	82.23
Direct Taxes Paid		68.26	80.00
Cash Flow before Extra Ordinary Items		172.88	217.15
Extra Ordinary Items			
Net Cash From Operating Activities		172.88	217.15
Cash Flow from Investing Activities			
Purchase of Fixed Assets	90.62		
Sale of Fixed Assets	(5.73)		
Purchase of Investments	(1.00)		
Net Cash used in Investing Activities		83.89	99.94
Cash Flow from Financing Activities			
Proceeds from Long-Term-Borrowings			
Repayment of Finance	(39.62)		
Net cash used in financing activities		(39.62)	(24.07)
Net Increase / (Decrease) in Cash and Cash Equivalents		128.61	141.28
Cash and Cash Equivalents as at 31.03.2002	419.23		
Cash and Cash Equivalents as at 01.04.2001	290.62		
Total		172.88	217.15

SOURCE – ANNUAL REPORTS OF THE COMPANY

From statement of cash flow Table 3.12 it is seen that cash generated from operation has reduced by Rs. 8.08 lakhs i.e. from 379.86 lakhs to Rs. 299.78 lakhs.

Net cash flow from operating activities has reduced by 44.27 lakhs i.e. from 217.15 lakhs to Rs. 172.88 lakhs.

Out of this net cash used in investing activities 83.85 lakhs. There is cash in flow out of financing activities of Rs. 39.62 lakhs. This results into net increase of Rs. 128.61 lakhs in cash equivalents at the end of the year 2002.

As compared to this figures of previous years it is seen that net cash from operating activities was reduced by Rs. 44.27 lakhs (i.e. from Rs. 217.15 lakhs to 272.88 lakhs)

Net cash used in investing activities was reduced by 16.05 lakhs. i.e. from Rs. 99.44 lakhs to 83.85 lakhs. Cash used for repayment of finance was increased by Rs. 15.55 lakhs i.e. from Rs. 24.07 lakhs to Rs. 39.62 lakhs.

Thus the net increase in cash between the two years was reduced by Rs. 44.27 lakhs.

Other observations

1. Net profit before tax and extra ordinary items was reduced from Rs. 293.09 lakhs to Rs. 206.66 lakhs.
2. Adjustment for depreciation have increased from Rs. 8677 lakhs to Rs. 93.12 lakhs.
3. Operating profit before working capital change has reduced from Rs.379.86 lakhs to Rs. 299.78 lakhs.
4. Interest paid has reduced from Rs. 82.23 lakhs to Rs.50.57 lakhs i.e. by Rs. 31.66 lakhs.
5. Direct taxes paid has reduced from Rs. 86.00 lakhs to Rs. 68.26 lakhs.
6. Fixed assets of Rs. 83.85 lakhs were purchased in the year 2002 and fixed assets of Rs. 95.54 lakhs in the year 2001.

Table 3.13 Cash Flow Statement of Menon Bearings Limited
For the Year 2002-2003

	(Rs. in lakhs)	
	2003	2002
Cash Flow from operating activity		
Net Profit before tax and extraordinary items	338.00	206.66
Profit after taxation	258.67	
Excess Provision		
Provision for Income Tax (Current)	86.92	
Cost of Finance	71.22	
Dividend	78.81	
Deferred tax liability		
Add : Adjustments for	100.46	93.12
Depreciation		
Depreciation	97.28	
• Preoperative Expenses W/O	3.18	
Operating Profit before working capital change	438.47	299.78
Adjustments for		
Trade & other Receivables	446.33	
Loans and advances		
Inventory	83.66	
Trade Payable	(316.86)	213.13
Cash Generated from operations	225.34	291.71
Interest Paid	71.22	50.57
Direct Taxes Paid	86.92	68.26
Cash Flow before Extra Ordinary items	67.19	172.88
Extra Ordinary Items		
Net Cash from Operating Activities	67.19	172.88
Cash Flow from Investing Activities		
Purchase of Fixed Assets	322.79	
Sale of Fixed Assets	(1.19)	
Purchase of Investments		
Net Cash used in Investing Activities	321.60	83.89
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(49.05)	
Repayment of Finance	(381.00)	
Net cash used in financing activities	(430.05)	(39.62)
Net Increase / (Decrease) in Cash and Cash Equivalents	175.64	128.61
Cash and Cash Equivalents as at 31.03.2003	594.87	
Cash and Cash Equivalents as at 31.03.2002	419.23	
Total	67.19	172.88

SOURCE – ANNUAL REPORTS OF THE COMPANY

From a statement of cash flow Table 3.13 it is seen that cash generated from operation has increased by Rs. 131.31 lakhs i.e. from Rs. 206.66 lakhs to Rs. 338.00 lakhs.

Net cash flow from operating activities has reduced by Rs.105.69 lakhs i.e. from Rs.172.88 to Rs.67.19 lakhs.

Out of these net cash used in investing activities was Rs.321.60 lakhs.

There is cash in flow of financing activities of Rs. 49.05 lakhs.

These results into net increase of Rs. 175.64 lakhs in cash & cash equivalents at the end of the year 2003.

As compared to this figures of previous years bearings it is seen that net cash from operating activities was reduced by Rs. 105.69 lakhs (i.e. from Rs. 172.88 lakhs to Rs. 67.19 lakhs) Net cash used in investing activities was increased by Rs. 237.71 lakhs i.e. from 83.89 lakhs to Rs. 321.60 lakhs cash used in financing activities was increased by Rs. 390.43 lakhs i.e. from Rs. 3962 lakhs to Rs. 430.65 lakhs. Thus the net increase in cash between the two years was reduced by Rs. 105.69 lakhs.

Other observations

1. Net profit before tax and extraordinary items has increased from Rs. 206.66 lakhs to Rs. 338.00 lakhs.
2. Adjustment for depreciation have increased from Rs. 93.12 lakhs to Rs. 100.46 lakhs.
3. Operating profit before working capital change has increased from Rs. 299.78 lakhs to Rs. 438.13 lakhs.
4. Interest paid has increased from Rs. 50.57 lakhs to 71.22 lakhs.
5. Direct taxies paid has increased from Rs. 68.26 lakhs to 86.19 lakhs.
6. Fixed assets of Rs. 83.89 lakhs were purchased in 2002 and Rs. 321.60 lakhs in year 2003.

Table 3.14 Cash Flow Statement of Menon Bearings Limited

For the Year 2003-2004

	(Rs. in lakhs)	
	2004	2003
Cash Flow from operating activity		
Net Profit before tax and extraordinary items	295.80	338.00
Profit after taxation	236.61	
Previous year Expenses	(0.22)	
Provision for Income Tax (Current)	138.53	
Cost of Finance	78.48	
Dividend	(157.61)	
Add : Adjustments for		
Depreciation	118.27	100.46
Depreciation	116.68	
Preoperative Expenses W/O	1.59	
Operating Profit before working capital change	414.07	438.46
Adjustments for		
Trade & other Receivables	(25.19)	
Inventory	105.50	
Trade Payable	(311.64)	213.13
Cash Generated from operations	645.40	225.33
Interest Paid	78.48	71.22
Direct Taxes Paid	138.53	86.92
Cash Flow before Extra Ordinary items	428.39	67.19
Extra Ordinary Items		
Net Cash from Operating Activities	428.39	67.19
Cash Flow from Investing Activities		
Purchase of Fixed Assets	196.01	
Sale of Fixed Assets	(22.33)	
Purchase of Investments	(0.56)	
Net Cash used in Investing Activities	173.12	321.60
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(34.35)	
Repayment of Finance	195.28	
Net cash used in financing activities	160.93	(430.05)
Net Increase / (Decrease) in Cash and Cash Equivalents	689.20	175.64
Cash and Cash Equivalents as at 31.03.2004	594.87	
Cash and Cash Equivalents as at 01.04.2003		
Total	428.39	67.19

SOURCE – ANNUAL REPORTS OF THE COMPANY

From the statement of cash flow Table 3.14 it is seen that cash generated from operation has reduced by Rs. 24.39 lakhs i.e. from Rs. 438.46 lakhs to Rs. 414.07 lakhs.

Net cash flow from operating activities has increased by i.e. from Rs. 67.19 lakhs to Rs. 428.39 lakhs Rs. 361.2 lakhs.

Out of these net cash used in investing activities is Rs. 173.12 lakhs and there is cash used in financing activities is Rs. 160.93 lakhs. These results in to net increase of Rs. 94.33 lakhs in cash and cash equivalents of the end of the year 2004.

As compared to the figures of previous years it is seen that net cash from operating activities was increased by 361.2 lakhs i.e. from 67.19 lakhs 428.39 lakhs.

Net cash used in investing activities was reduced by Rs. 148.48 lakhs i.e. from 312.60 lakhs to Rs. 173.12 lakhs. Cash used repay of finance has decreased by Rs. 185.72 lakhs i.e. from Rs. 381.00 lakhs to Rs. 195.28 lakhs.

The net increase in cash between the two year has increased by Rs.361.2 lakhs.

Other Observations

1. Net profit before tax and extra ordinary items has reduced from Rs. 338.00 lakhs to Rs. 295.80 lakhs.
2. Adjustment for depreciation have increased from Rs. 100.46 lakhs to Rs. 118.27 lakhs.
3. Operating profit before working capital change has reduced from 438.46 lakhs to Rs. 414.07 lakhs.
4. Interest paid has increased from 71.22 lakhs to 78.48 lakhs.
5. Direct taxes paid increased from 67.19 lakhs to 138.53 lakhs.
6. Fixed assets of Rs. 173.12 lakhs were purchased in the year 2004 and assets of Rs. 321.60 lakhs purchased in the year 2003

Table 3.15 Cash Flow Statement of Menon Bearings Limited**For the Year 2004-2005**

	(Rs. in lakhs)	
	2005	2004
Cash Flow from operating activity		
Net Profit before tax and extraordinary items	351.71	295.80
Profit after taxation	302.72	
Previous year Expenses	3.88	
Provision for Income Tax (Current)	181.44	
Cost of Finance	74.87	
Dividend	(211.20)	
Add : Adjustments for		
Depreciation	141.07	118.27
Operating Profit before working capital change	492.79	414.07
Adjustments for		
Trade & other Receivables	190.48	
Inventory	(57.58)	
Trade Payable	(286.14)	(231.33)
Cash Generated from operations	646.03	645.40
Interest Paid	74.87	78.49
Direct Taxes Paid	181.44	138.53
Cash Flow before Extra Ordinary items	389.72	428.38
Extra Ordinary Items	NIL	NIL
Net Cash from Operating Activities	389.72	428.38
Cash Flow from Investing Activities		
Purchase of Fixed Assets	301.51	
Sale of Fixed Assets	(1.06)	
Purchase of Investments	287.01	
Net Cash used in Investing Activities	587.46	173.12
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(351.02)	
Repayment of Finance	114.34	
Net cash used in financing activities	(236.68)	160.93
Net Increase / (Decrease) in Cash and Cash Equivalents	38.94	94.33
Cash and Cash Equivalents as at 31.03.2005	728.14	
Cash and Cash Equivalents as at 01.04.2004	689.20	
Total	389.72	428.38

SOURCE – ANNUAL REPORTS OF THE COMPANY

From statement of cash flow Table 3.15 it is seen that cash generated from operation has increased by 63 lakhs i.e. from Rs. 645.40 lakhs to Rs. 492.79 lakhs.

Net cash flow from operating activities has reduced by Rs. 38.66 lakhs i.e. from Rs. 428.38 lakhs to Rs. 389.72 lakhs.

Out of this net cash used in investing activities is Rs. 587.46 lakhs.

There is cash in flow out of financing activities of Rs. 236.68 lakhs.

These results into net increase of Rs. 38.94 lakhs in cash and cash equivalents at the end of the year 2005.

As compared to this figures to previous years it is seen that net cash from operating activities was reduced by 38.66 lakhs i.e. from Rs. 428.38 lakhs to Rs. 389.72 lakhs.

Net cash used in investing activities was increased Rs. 414.34 lakhs i.e. from Rs. 173.12 lakhs to Rs. 587.46 lakhs.

Thus the net decrease in cash between two year has Rs. 38.66 lakhs.

Other Observations :

1. Net profit before tax and extraordinary items has increased from Rs.295.80 lakhs to Rs.351.71 lakhs.
2. Adjustment for depreciation has increased from Rs. 118.27 lakhs to Rs. 141.07 lakhs.
3. Operating profit before working capital change has increased from Rs. 414.07 lakhs to Rs. 492.79 lakhs.
4. Interest paid has reduced from Rs. 78.49 lakhs to Rs. 74.87 lakhs.
5. Direct taxies paid has increase from Rs. 138.53 lakhs to Rs. 181.44 lakhs.
6. Fixed assets of Rs. 587.46 lakhs were purchased in the year 2005 and assets of Rs. 173.12 lakhs in the year 2004.

Table 3.16 Cash Flow Statement of Menon Bearings Limited

For the Year 2005-2006

(Rs. in lakhs)

Particulars	2006	2005
Cash Flow from operating activity		
Net Profit before tax and extraordinary items	308.55	351.71
Profit after taxation	203.56	
Previous year Expenses	(4.16)	
Provision for Income Tax (Current)	115.93	
Cost of Finance	110.37	
Dividend	(117.15)	
Add : Adjustments for - Depreciation		
- Preoperative Expenses W/O	160.84	141.07
Operating Profit before working capital change	469.39	492.78
Adjustments for		
Trade & other Receivables	258.99	
Inventory	(40.90)	
Trade Payable	(18.06)	(153.24)
Cash Generated from operations	269.36	646.02
Interest Paid	110.37	74.87
Direct Taxes Paid	115.93	181.44
Cash Flow before Extra Ordinary items	43.06	389.72
Extra Ordinary Items	NIL	NIL
Net Cash from Operating Activities	43.06	389.72
Cash Flow from Investing Activities		
Purchase of Fixed Assets	147.22	
Sale of Fixed Assets	(85.84)	
Purchase of Investments	96.25	
Net Cash used in Investing Activities	157.63	587.46
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(29.17)	
Repayment of Finance	(135.13)	
Net cash used in financing activities	(164.30)	(236.68)
Net Increase / (Decrease) in Cash and Cash Equivalents	49.73	38.94
Cash and Cash Equivalents as at 31.03.2006	777.87	
Cash and Cash Equivalents as at 01.04.2005	728.14	
Total	43.06	389.72

SOURCE – ANNUAL REPORTS OF THE COMPANY

From statement of cash flow Table 3.16 it is seen that cash generated from operation has reduced by Rs. 375.66 lakhs i.e. from Rs. 646.02 lakhs to Rs. 269.36 lakhs.

Net cash flow from operating has reduced by Rs. 346.66 lakhs i.e. from Rs. 389.72 lakhs to Rs. 43.06 lakhs .

Out of this net cash used in investing activities is Rs. 157.63 lakhs . There is cash in flow out of financing activities of Rs. 164.30 lakhs. These results into net increase of Rs. 49.73 lakhs in cash and cash equivalents at the end of the year 2006.

As compare to this figures of previous year if is seen that net cash from operating activities was reduced by Rs. 346.66 lakhs i.e. from Rs. 389.72 lakhs to Rs. 43.06 lakhs .

Net cash used in investing activities was reduced by Rs. 429.83 lakhs i.e. from Rs. 587.46 lakhs to Rs. 157.63 lakhs .

Net cash used in financing activities was reduced by Rs.72.38 i.e. from Rs. 236.68 lakhs to Rs. 164.30 lakhs . Thus the net in cash between the two year has reduced by Rs. 346.66 lakhs.

Other Observations

1. Net profit before tax and extraordinary items has reduced from Rs. 351.71 lakhs to Rs. 308.55 lakhs .
2. Adjustment for depreciation has increased from Rs. 141.07 lakhs to Rs. 160.84 lakhs .
3. Operating profit before working capital change has reduced from Rs. 492.78 lakhs to Rs. 469.39 lakhs.
4. Interest paid has increased from Rs.74.87 lakhs to Rs. 110.37 lakhs.
5. direct taxes paid has reduced from Rs.181.44 lakhs to Rs. 115.93 lakhs.
6. Fixed assets of Rs. 153.63 lakhs were purchased in the year 2006 and assets of Rs. 587.46 lakhs in the year 2005.

3.4 FUNDS FLOW ANALYSIS

Fund flow analysis of Menon Bearings Limited is made in following pages. This is useful in knowing the sources of funds and their application. In working capital analysis fund flow analysis plays an important role.

**Table 3.17 Funds Flow Statements of Menon Bearings Limited
For 2001-02**

(Rs. in lakhs)

Sources of Funds	Amount	Application of Funds	Amount
Funds From Operation	243.36	Decrease in Secured Loan	32.00
Increase in Unsecured Loan	-	Payment of Dividend	37.00
Capital work in Progress	-	Payment of Taxes	68.26
Sale of Investments	1.00	Repayment of Long Term Loans	
Sale of Fixed Assets	34.90	Loss on Sale of Fixed Assets	
Issue of Share Capital	-	Increase in Working Capital	142.00
Sale of Long Term Investments	-		
TOTAL	279.26	TOTAL	279.26

SOURCE – ANNUAL REPORTS OF THE COMPANY

Calculation of funds from operation	(Rs.In lakhs)
Closing balance of profit and loss account	209.18
Add:	
1) Depreciation	90.00
2) Payment of Dividend	37.36
3) Transfer to general Reserve	88.00
	<u>215.36</u>
	424.54
Less:	
Opening balance of profit	<u>181.18</u>
Funds From Operation	<u>243.36</u>

From table 3.17 the statement of funds flow it can be seen that in 2001-02 the company had total resources of Rs.279 lakhs. There was cash inflow from sale of fixed assets by Rs.36.44 lakhs and sale of investment of Rs.1.00 lakhs and funds from operation of Rs.243.36 lakhs.

Out of which out flow of funds included payments of taxes was Rs.68.26 lakhs and payments of dividend Rs.37.00 lakhs. There was also decrease in secured loan. There was increasing in working capital by Rs.142.00 lakhs

**Table 3.18 Funds Flow Statements of Menon Bearings Limited
For 2002-03**

(Rs. in lakhs)

Sources of Funds	Amount	Application of Funds	Amount
Funds From Operation	405.43	Purchase in Fixed Assets	294.05
Increase in Unsecured Loan	14.87	Payment of Dividend	78.80
Increase in Secured Loan	513.09	Payment of Taxes	86.92
Sale of Investments	-	Repayment of Long Term Loans	
Sale of Fixed Assets	-	Loss on Sale of Fixed Assets	
Issue of Share Capital	-	Increase in Working Capital	473.62
Sale of Long Term Investments	-		
TOTAL	933.39	TOTAL	933.39

SOURCE – ANNUAL REPORTS OF THE COMPANY

Calculation of funds from operation		(Rs.In lakhs)
Closing balance of profit and loss account		258.67
Add:		
1) Depreciation	97.27	
2) Payment of Dividend	78.80	
3) Transfer to general Reserve	179.89	<u>405.43</u>
		614.63
Less:		
Opening balance of profit		<u>209.18</u>
Funds From Operation		<u>405.43</u>

From table 3.18 the statement of funds flow it can be seen that in 2002-03 the company generated funds from operation of Rs. 405.43 lakhs. There was increase in secured loan by Rs.513.09 lakhs and unsecured loan by Rs. 14.87 lakhs

The application of funds was for the payment of taxes by Rs. 86.92 lakhs and payment of dividend of Rs. 78.80 lakhs . there was application of fund for purchase in fixed asset of Rs.294.05 lakhs in year 2002-03 increase in working capital by Rs.473.62 lakhs.

**Table 3.19 Funds Flow Statements of Menon Bearings Limited
For 2003-04**

(Rs. in lakhs)

Sources of Funds	Amount	Application of Funds	Amount
Funds From Operation	283.70	Purchase in Fixed Assets	301.03
Increase in Unsecured Loan	34.35	Decrease in Secured Loan	223.18
Capital work in Progress	105.02	Payment of Taxes	138.53
Sale of Investments	0.56	Repayment of Long Term Loans	
Decrease in Miscellaneous expenses	1.59	Loss on Sale of Fixed Assets	
Sale of Assets	-	Increase in Working Capital	-
Decrease in Working Capital	166.37		
TOTAL	662.74	TOTAL	662.74

SOURCE – ANNUAL REPORTS OF THE COMPANY

Calculation of funds from operation	(Rs.In lakhs)
Closing balance of profit and loss account	236.61
Add:	
1) Depreciation	116.68
2) Payment of Dividend	195.61
	<u>312.29</u>
	548.90
Less:	
Opening balance of profit	258.67
Depreciation on sales assets	<u>06.53</u>
Funds From Operation	<u>283.70</u>

From table 3.19 the statement of funds flow it can be seen that in 2003-04 the total sources of funds of Rs.662.74 lakhs. Source of funds include sale of investment Rs.0.56 lakhs increase in unsecured loan by Rs.34.35 lakhs. In year 2003-04 there was funds from operation of Rs. 283.70 lakhs and in this year assets were sales of Rs.22.33 lakhs and there is capital work in progress of Rs. 105.02 lakhs.

In application there was decrease in secured loan by Rs.223.18 lakhs. In year 2003-04 company purchased fixed assets of Rs.301.03 lakhs and payment of taxes of Rs.138.53 lakhs. In year 2003-04 there was net decrease in working capital by Rs.166.37 lakhs.

**Table 3.20 Funds Flow Statements of Menon Bearings Limited
For 2004-05**

(Rs. in lakhs)

Sources of Funds	Amount	Application of Funds	Amount
Funds From Operation	531.77	Purchase in Fixed Assets	301.51
Increase in Unsecured Loan	140.45	Payment of Dividend	211.20
Increase in Secured Loan	196.32	Payment of Taxes	181.44
Sale of Investments	-	Purchase of Investments	287.01
Decrease in Miscellaneous expenses	-	Loss on Sale of Fixed Assets	
Sale of fixed Assets	469.13	Net Increase in Working Capital	160.19
Decrease in Working Capital	-		
TOTAL	1145.35	TOTAL	1145.35

SOURCE – ANNUAL REPORTS OF THE COMPANY

Calculation of funds from operation		(Rs.In lakhs)
Closing balance of profit and loss account		302.71
Add:		
1) Depreciation	141.07	
2) Payment of Dividend	211.20	
3) Transfer to general Reserve	95.40	<u>447.67</u>
		750.38
Less:		
Opening balance of profit		<u>302.38</u>
Funds From Operation		<u>261.66</u>

From table 3.20 the statement of funds flow it is seen that in 2004-05 company had total sources of funds of Rs.1145.35 lakhs, there was inflow of funds from unsecured loan by Rs.140.45 lakhs. In year 2004-05 there was funds from operation of Rs.531.77 lakhs. In year 2004-05 there was a sale of fixed asset of Rs.469.13 lakhs and increased in secured loan by Rs.196.32 lakhs.

The outflow includes payment of taxes of Rs.181.44 lakhs and payment of dividend of Rs.211.20 lakhs. The company purchased fixed asset of Rs.301.51 lakhs and there was purchase of investment of Rs.287.01 lakhs. In year 2004-05 there was net increase in working capital by Rs.160.19 lakhs.

**Table 3.21 Funds Flow Statements of Menon Bearings Limited
For 2005-06**

(Rs. in lakhs)

Sources of Funds	Amount	Application of Funds	Amount
Funds From Operation	261.66	Purchase in Fixed Assets	-
Increase in Unsecured Loan	29.17	Payment of Dividend	117.15
Increase in Secured Loan	196.32	Payment of Taxes	115.93
Sale of Investments	-	Purchase of long term Investments	96.25
Decrease in Miscellaneous expenses	-	Loss on Sale of Fixed Assets	
Sale of fixed Assets	135.29	Net Increase in Working Capital	293.12
Decrease in Working Capital	-		
TOTAL	622.45	TOTAL	622.45

SOURCE – ANNUAL REPORTS OF THE COMPANY

Calculation of funds from operation	(Rs.In lakhs)
Closing balance of profit and loss account	203.55
Add:	
1) Depreciation	160.84
2) Payment of Dividend	117.15
3) Transfer to general Reserve	82.84
	<u>360.83</u>
	564.38
Less:	
Opening balance of profit	<u>302.72</u>
Funds From Operation	<u>261.66</u>

From table 3.21 the statement of funds flow it is seen that sources of funds was Rs.622.45 lakhs, out of which cash generated from operation was Rs.161.66 lakhs. There was increase in secured loan by Rs.196.32 lakhs and unsecured loan by Rs.29.17 lakhs. Out of sources funds were used for payment of taxes of Rs.115.93 lakhs and dividend of Rs.117.15 lakhs. In year 2005-06 company invested funds in long term investment of Rs.96.25 lakhs. Thus there was net increase in working capital of Rs.293.12 lakhs.