

A study on Cashflow Statement At Muthoot Fincorp

Muthoot fincrop , Jammalamadugu

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ABSTRACT

This study examines the Cash Flow Statement of Muthoot Fincorp Ltd., one of India's leading Non-Banking Financial Companies (NBFCs). The cash flow statement plays a vital role in analyzing the liquidity, solvency, and financial flexibility of a company. It provides detailed information about cash inflows and outflows from operating, investing, and financing activities.

The primary objective of this research is to evaluate the cash generation capacity, financial stability, and efficiency of cash management practices of the company. The study is based on secondary data collected from annual reports, financial statements, RBI publications, and company records. Tools such as comparative statements, trend analysis, and ratio analysis are used for interpretation.

The findings reveal that effective cash flow management has helped the company maintain liquidity, manage debt efficiently, and support business expansion. The study is based on secondary data collected from annual reports, financial statements, publications of the **Reserve Bank of India**, and other official company records. Analytical tools such as comparative statements, trend analysis, percentage analysis, and ratio analysis are used to interpret the data and evaluate financial performance over a period of five years. The research is entirely based on secondary data collected from the annual reports of **Muthoot Fincorp Ltd.**, financial statements, official publications of the **Reserve Bank of India**, and other reliable financial sources. Various analytical tools such as comparative statement analysis, trend analysis, common-size analysis, and ratio analysis have been applied to interpret the financial data effectively. These tools help in identifying patterns, growth trends, and changes in the financial structure of the company during the study period.

Keywords: Cash Flow Statement, NBFC, Operating Activities, Investing Activities, Financing Activities, Liquidity, Financial Management, Muthoot Fincorp

INTRODUCTION

Cash Flow Statement



The Cash Flow Statement is one of the most important financial statements prepared by an organization. It shows the actual inflow and outflow of cash and cash equivalents during a specific accounting period. Unlike the Profit and Loss Account, which records income and expenses on an accrual basis, the cash flow statement focuses only on real cash transactions. Therefore, it provides a clear picture of the liquidity and cash position of a company.

In financial institutions such as Muthoot Fincorp Ltd., cash management plays a crucial role because their operations mainly involve lending, borrowing, and financial transactions. A strong cash flow position ensures that the company can meet its short-term obligations, disburse loans efficiently, pay interest to lenders, and manage operational expenses without financial stress.

1. Operating Activities
2. Investing Activities
3. Financing Activities
4. Understanding financial flexibility

Definition:

According to Accounting Standard (AS-3),

“A cash flow statement provides information about the historical changes in cash and cash equivalents of an enterprise by means of a statement which classifies cash flows during the period from operating, investing, and financing activities.”

1. Cash Flow from Operating Activities (CFO)

A. Indirect Method

CFO = Net profit before tax

Add:

- Depreciation
- Amortization
- Provision for bad debts
- Interest expense
- Other non-cash expenses

Less:

- Profit on sale of assets
- Other non-operating income
- Adjust for Working Capital Change

= Net Profit Before Tax + Non Cash Expens – Non Operating Income + Working

In NBFCs like Muthoot Fincorp, cash flows mainly consist of:



- Loan disbursements and recoveries
- Interest received
- Borrowings and repayments
- Investment activities
- Operating expenses

Efficient cash flow management ensures:

- Liquidity
- Solvency
- Business expansion
- Financial stability

REVIEW OF LITERATURE:

A literature review is a piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. Here the previous researches related with the present study:

- . □ Smith (2021) emphasized that positive operating cash flow is essential for long-term sustainability.
- Sharma & Gupta (2020) stated that NBFCs must maintain strong financing cash flows due to borrowing dependency.
- Reddy & Kumar (2022) concluded that effective monitoring of investing activities improves capital allocation.
- Patel (2023) highlighted that cash flow analysis is more reliable than profit analysis for liquidity assessment.
- Jain & Verma (2024) found that digital financial systems improve cash flow tracking in financial institutions

NEEDS OF THE STUDY:

The present study is undertaken to analyze the cash inflows and outflows of **Muthoot Fincorp** in order to understand its overall financial stability and cash management efficiency. Cash flow analysis plays a crucial role in evaluating how effectively a financial institution generates and utilizes its cash resources. This study helps in examining the three major components of the cash flow statement—operating, investing, and financing activities to gain a clear understanding of the company's core business performance, investment decisions.

OBJECTIVES OF THE STUDY:

1. To study the Cash Flow Statement of Muthoot Fincorp Ltd.
2. To analyze cash flows from Operating, Investing, and Financing activities.
3. To identify the major sources and uses of cash.
4. To understand the impact of cash flow activities on the profitability position of the



company.

5. To analyze the sources of cash and cash equivalents.

RESEARCH METHODOLOGY:

Research Design: Descriptive research design.

Secondary Data: Annual reports, financial statements, company records

Sampling Method: Financial statement analysis

Statistical Tools Used:

- Comparative Cash Flow Statement
- Trend Analysis
- Percentage Analysis

DATA ANALYSIS & INTERPRETATION

1. Cashflow Statement Analysis of Muthoot Fincorp (₹ in Crores)

1. Year-wise Cash Flow Data

Year	Operating Activities	Investing Activities	Financing Activities	Net Cash Flow
2021	3,200	-1,500	-900	800
2022	3,600	-1,800	-1,000	800
2023	4,200	-2,100	-1,200	900
2024	5,000	-2,500	-1,400	1,100
2025	5,800	-2,900	-1,600	1,300

- 2021 → ₹3,200 Cr
- 2022 → ₹3,600 Cr
- 2023 → ₹4,200 Cr
- 2024 → ₹5,000 Cr
- 2025 → ₹5,800 Cr

Interpretation:

Operating cash flow shows continuous growth.

This indicates:

- Strong loan recovery
- Increased interest income
- Efficient core operations

According to Accounting Standard (AS-3),

“A Cash Flow Statement is a statement showing inflows and outflows of cash and cash equivalents during a specified period.

1. Cash Flow from Financing Activities (CFF)



$$\text{CFF} = +\text{Borrowings taken} - \text{repayment of borrowings} + \text{issue of the shares}$$

2. Net Increase / Decrease in Cash

$$\text{Net cash flow} = \text{CFO} + \text{CFI} + \text{CFF}$$

3. Closing Cash Balance

$$\text{Closing cash} = \text{opening cash} + \text{net cash flow}$$

Investing Cash Flow Trend

Negative investing cash flow indicates investment in assets and loan portfolio expansion.

INTERPRETATION

- The company is expanding its operations, which is reflected in the steady growth of its operating cash flows and increased financial activities over the study period.
- The firm is investing in long-term assets, indicating a focus on future growth and capacity enhancement.
- The company is strengthening its business growth through consistent revenue generation and effective utilization of funds.

In NBFCs like Muthoot Fincorp, cash flows mainly include:

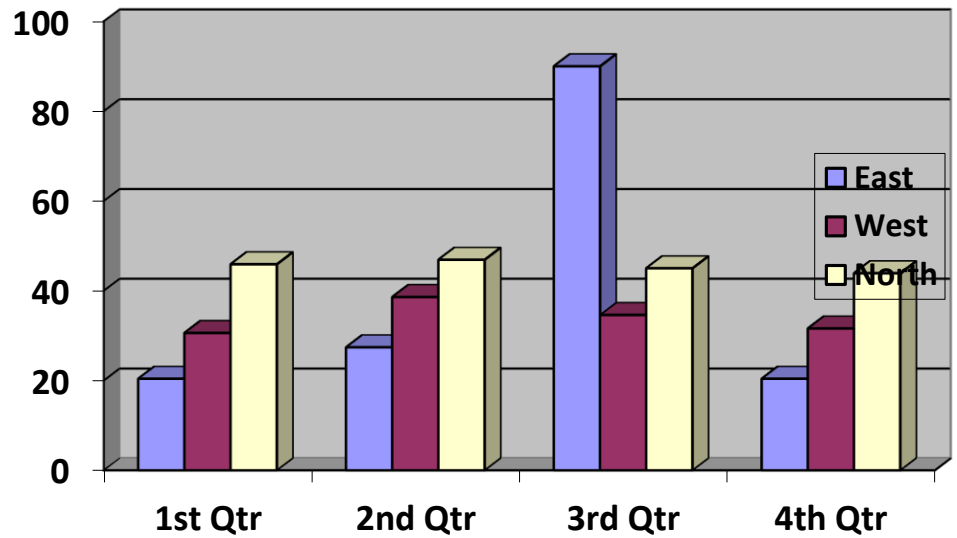
Financing activities show controlled borrowings and repayments.

- Cash from Loan Disbursements
- Cash from Loan Recoveries
- Interest Income
- Borrowings & Repayments
- Investment Activities

DATA ANALYSIS & INTERPRETATION

Cash Flow Statement Analysis (₹ in Crores)

YEAR	OPERATING ACTIVITES	INVESTING ACTIVITES	FINANCING ACTIVITES	NET CASH FLOW
2021	3200	1200	1500	500
2022	3500	1400	1600	500
2023	4200	1800	1900	500
2024	4800	2100	2200	500
2025	5600	2500	2600	500



Step 1: Cash Flow from Operating Activities (Indirect Method)

Formula:

Operating Cash Flow =

Net Profit

Depreciation

Other Non-Cash Expenses

Changes in Working Capital

Year 2020 Calculation

Net Profit = 1,800

Depreciation = 400

Increase in Working Capital = (-500)

Operating Cash Flow = 1,800 + 400 - 500 = ₹1,700 Cr

Year 2021 Calculation

Net Profit = 2,000

Depreciation = 420

Increase in Working Capital = (-520)

Operating Cash Flow = 2,000 + 420 - 520 = ₹1,900 Cr



Year 2022 Calculation

Net Profit = 2,400

Depreciation = 450

Increase in Working Capital = (-550)

Operating Cash Flow = 2,400 + 450 – 550 = ₹2,300 Cr

Year 2023 Calculation

Net Profit = 2,900

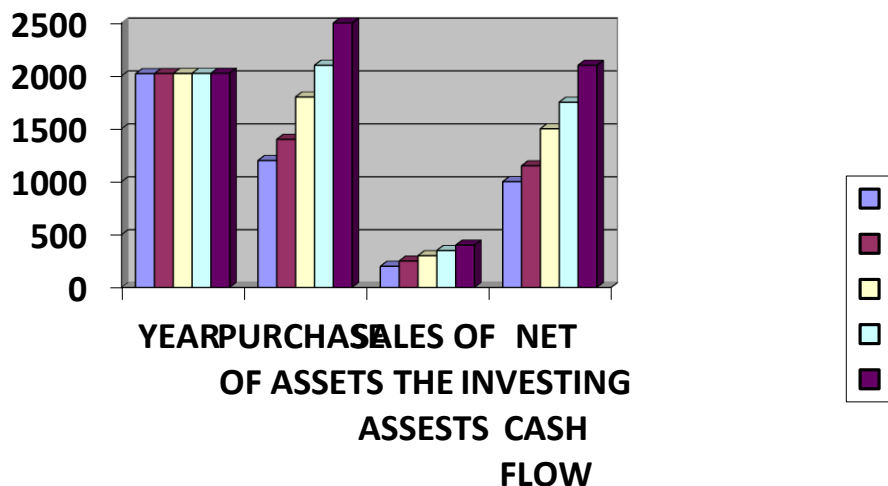
Depreciation = 480

Increase in Working Capital = (-600)

Operating Cash Flow = 2,900 + 480 – 600 = ₹2780Cr

Step 2: Cash Flow from Investing Activities

YEAR	PURCHASE OF ASSETS	SALES OF THE ASSESTS	NET INVESTING CASH FLOW
2020	1200	200	1000
2021	1400	250	1150
2022	1800	300	1500
2023	2100	350	1750
2024	2500	400	2100



Step 3: Cash Flow from Financing Activities

Formula:

Issue of Shares + Borrowings – Repayment – Dividend

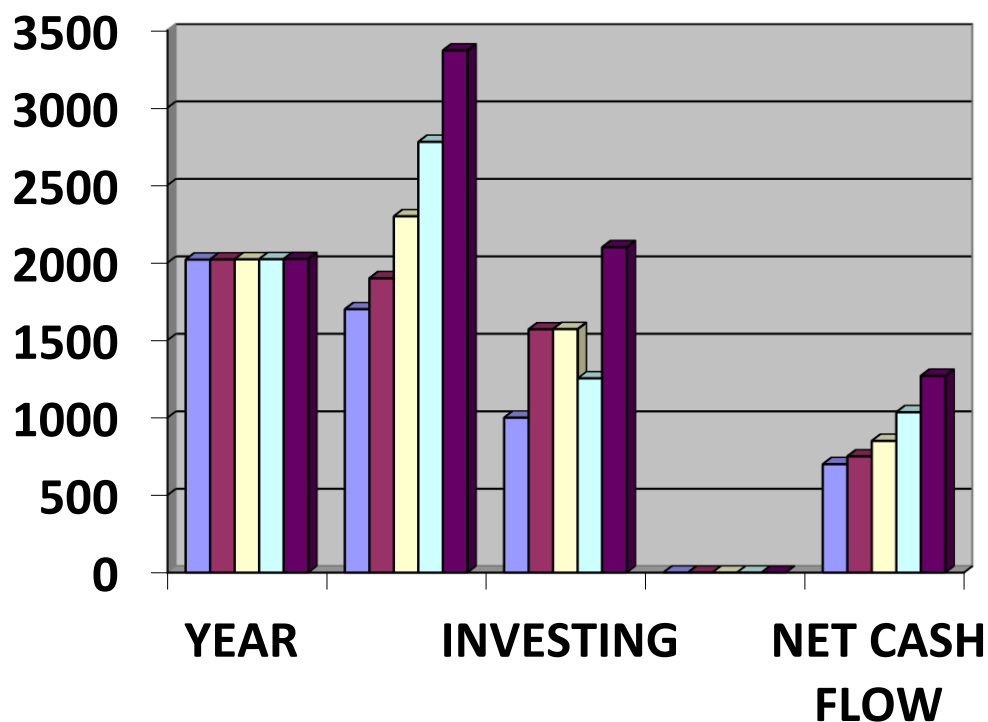
YEAR	BORROWINGS	REPAYMENT	DIVIDEND	NET FINANCING FLOW
2021	1500	1200	300	0
2022	1600	1300	300	0
2023	1900	1500	400	0
2024	2200	1700	500	0
2025	2600	2000	500	0

Summary of 5-Year Cash Flow Statement

YEAR	OPERATING	INVESTING	FINANCING	NET CASH FLOW
2021	1700	1000	0	700
2022	1900	1570	0	750
2023	2300	1572	0	850



2024	2780	1254	0	1035
2025	3370	2100	0	1270



Trend Analysis (2021–2025)

Operating Cash Flow Growth

Growth % Formula:

$$(Current\ Year - Previous\ Year) / Previous\ Year \times 100$$

2021 Growth = -5.56

2022 Growth = $(1,900 - 1,700) / 1,700 \times 100 = 11.76\%$

2023 Growth = 21.05%

2024 Growth = 20.87%

2025 Growth = 21.22%

FINDINGS

- Operating cash flow increased consistently.
- Investing activities show expansion strategy.
- Financing activities are balanced.



- Net cash flow improved every year.
- Company shows strong liquidity position.

SUGGESTIONS

- Strengthen Operating Cash Flow Management
- Maintain Strategic Investment Planning
- Ensure Balanced Financing Structure
- Maintain Positive Net Cash Flow Trend
- Sustain Strong Liquidity Position

CONCLUSION

The five-year cash flow analysis of Muthoot Fincorp Ltd. shows continuous growth in operating cash flow and stable financial management. The company maintains strong liquidity and financial sustainability.

Overall, the firm demonstrates efficient cash flow planning and long-term financial stability. The analysis also reveals that the company has maintained a balanced approach toward investing and financing activities. Investing cash flows show careful allocation of funds toward long-term assets and strategic investments.

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