CHAPTER - 7

“AN APPRAISAL OF WORKING CAPITAL MANAGEMENT IN CEMENT INDUSTRY OF GUJARAT STATE”
CHAPTER-7

FINANCIAL MANAGEMENT OF WORKING CAPITAL

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FINANCIAL MANAGEMENT OF WORKING CAPITAL

INTRODUCTION:

Financial management of working capital needs of a business enterprise. To manage it, financial manager must play an active role. The business concern needs funds to carry on the inventories of raw material, work-in-process and finished goods to pay of wage bills and factory overheads, to pay taxes and insurance and to provide credit facilities to customers. It may also require funds for seasonal requirements, for advertisements, campaigning and for overhauling of plant and equipment.

To manage the working capital of a business enterprise financial manager must employ different sources in financing of current assets. There exist three distinct sources of financing current assets

(i) Long term financing consists of equity and preference shares, retained earning, debentures and borrowed funds from financial institutions.

(ii) Short term financing includes short-term bank loan, commercial papers, and factoring bill receivables.

(iii) Spontaneous financing acts as an instantaneous source, which includes trade, credit and accruals.

Every firm tries its best for maximum use of the spontaneous sources, which are cost free. Financing current assets the choice is exclusively between long term and short-term sources, while the spontaneous sources were exploited on routine basis. The finance manager has to decide the extent of long term and short term sources to finance of a business concern’s working capital requirement depending upon the conditions under which company operates, type of product, its manufacturer, its earning power, the interest charges on different sources of funds and their availability. The short-term sources of funds involves less cost and have more flexibility but more risks than the long term sources of funds. Therefore the firm should use both sources intelligently to finance its current assets. Financing current assets through a right source assumes a greater significance in the management of working capital.

Precisely one most attempt to find out answers to the following questions relating to financing or working capital.

(i) What is the relative importance of the various short-term sources contributing to the working capital
(ii) What is the role of long term and short term sources of finance?
(iii) Do short-term borrowings constitute the major source of working capital financing?
(iv) Is trade credit used to finance inventories only?
(v) What is the relationship between the amount of the credit allowed and the amount of the credit availed of?

7.1 Nature of working capital

Working Capital unlike fixed assets is subject to fluctuations. It is influenced by the type, size and length of the operating cycle of a business unit. As a result the amount and nature of working capital varies amongst business units. Working capital has two parts, Permanent and Temporary. Permanent working capital refers to the minimum level of current assets required all the time for minimum level operations. It consists of minimum inventories investment in raw materials, work-in-process, finished goods and receivables obtained in any day of the year. Any excess over the minimum current assets is termed as temporary working capital. It increases or decreases with the change in operational activity. The permanent working capital, like the fixed assets never leaves the business and remains gainfully all the time whereas temporary working capital is occasionally unutilized throughout all the years. Permanent working capital, as well as temporary working capital continues circulating and changes its shapes from one to another i.e., cash to finished goods, finished goods to receivables and receivables to cash and so on.

The concept of permanent working capital and temporary working capital helps in determining the quantum of funds to be obtained from different sources of finance. It has been emphasized by financial experts. The permanent working capital should be financed by long term sources and temporary working capital should be financed by short term sources. The snag of the distinction between permanent working capital and temporary working capital is that the minimum level of current assets must be determinable precisely which in practice is different though not possible for an external analyst. Data on weekly and monthly basis were available, the minimum level of current assets could be determined fairly precisely. In the absence of such data one can only examine pattern of financing the working capital without ascertaining the extent of permanent working capital secured by the firm from long term sources. The permanent working capital should be financed by equity capital or other long term sources, while temporary working capital should generally be financed by short term sources.

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7.2 Sources of finance

1. Long term internal sources
   (i) Retained earning    (ii) Depreciation provisions

2. Long term external sources
   (i) Equity capital    (ii) Debentures
   (iii) Long term loans from financial institutions

3. Short term internal sources
   a) Dividend provisions
   b) Tax provisions

4. Short term external sources
   a) Trade credit
   b) Bank credit
   c) Commercial paper market
   (iv) Miscellaneous sources (deposit from stockiest and contractors)
7.2.1 Long term funds and working capital needs:

The volume of long-term funds employed in financing working capital can be determined by finding net working capital. In other words the net working capital is that portion of firm's current assets which is financed with long-term funds. This net working capital concept indicates the liquidity position of the firm and suggests the extent to which working capital needs may be financed by permanent sources of funds. The excess of current assets over current liabilities constitutes margin of safety to short term creditors. As the investment in the minimum level of current assets usually referred to net working capital is more or less permanent and it is prudent to finance it with long-term source of funds.

The net working capital is generally financed from the common pool of long-term funds; it is not possible to identify the specific source of long-term funds employed in financing net working capital.

7.2.2 Short term funds and working capital needs:

It is proposed to study the extent and use of short-term source of funds. The short-term sources of funds are divided into two –

(i) Short term internal sources – it consists statutory provisions such as tax provisions, dividend provisions and other current liabilities which includes deposits from stockiest and contractors and liabilities for expenses.

(ii) Short-term external sources – it consists of bank loans, loans other than bank (short term loans) and trade credit.

(a) Internal short term funds

These funds are generated as a sequel to the business activities in the form of outstanding wages and salaries, owner's share of profit and tax liabilities. There is always a time gap between the incurring of such short-term liability and its off setting. During this interval these short-term sources provide funds, which are popularly termed as spontaneous sources of short term borrowed funds.

(i) Provisions

(ii) Other current liabilities – Another internal source of short-term finance are other current liabilities which include un-expired discounts, unclaimed dividend and interest accrued but not due to loan, outstanding wages and salaries and dues to trustees of gratuity and superannuating funds.
(b) External short term funds

All external short-term sources of funds have been divided into three groups-

(i) trade credit

(ii) bank credit

(iii) commercial paper market

(iv) public deposits

(v) miscellaneous sources

(i) Trade Credit -

It is one of the major sources of funds to finance inventories. The period and volume of trade credit varies from industry to industry and firm to firm. The main advantage of trade credit is that it has generally no cost, discount is not a part of credit it has generally no cost. It is spontaneous, being available without any formalities. Basic limitation of trade credit is that originally it is available for the goods and services only.

The term of trade are also determined that as far as possible it is not utilized for another purpose. If a firm fails to avail itself of the discount offered, it is comparatively costliest for all small sized firms which use more trade credit than the large sized firms because small sized firms have limited access to other sources of finance. From the viewpoint of purchasing firm the credit worthiness of the firm may be determined by its cash flow pattern.

(ii) Loan other than bank borrowings -

It includes public deposits from miscellaneous sources such as selling of commercial papers and issuing the short-term promissory notes.

Public deposits are for a fixed period and usually have to be repaid on maturity if it is not renewed. Maximum restriction was imposed for the use of public deposits by the government and therefore, they cannot be used for unlimited extent. Further the level of deposits is also governed by the degree of reputation which undertaking enjoys in the market.

(iii) Bank loans -

It plays a prominent role as a major source of financing working capital requirement of private sector industry. These parts of the loan are usually through cash credit arrangement with the banks either secured or unsecured. A major check of these cash credit represents secured loans rather than unsecured loans. These loans are raised through the hypothecation of stock of raw material, stores and spares and work-in-process and finished goods.
7.3 Working Capital: control and banking policy

Indian banks have traditionally been extending credit to industry and trade on the basis of security. Which have not been concerning about the soundness or otherwise about the business carried on or about the actual end use of the loan. This leading in a number of distortions in financing working capital by banks. Reserve bank of India made efforts to identify weaknesses in the system of lending industrial credit by the banks. This has resulted in a number of improvements in bank financing.

(i) Daheja Committee Report
(ii) Tondon Committee Report
(iii) Chore Committee Report
(iv) Marathe Committee
(v) Jilani Committee

7.4 Daheja Committee Report

To control the tendency of over financing and the diversion of the bank funds, Daheja Study group (National Credit Council constituted in 1968 under the chairmanship of V.T.Daheja) made recommendations for the banking system to finance industry on the basis of a total study of the borrower’s operations rather than on security considerations. The general tendency with business was to take short-term credit from banks and use it for purpose other than production. It has been also pointed out that bank do not give proper attention to the financing pattern of its clients. The clients resort to double for multiple financing of stock.

Cash credit accounts should be distinguished as between the ‘hard core’ and the short-level of raw materials, finished goods and stores which the industry required to hold in order to maintain a given level of production, and the bank finance should be provided on strong financial basis as term loan and be subjected to regular repayment schedule whereas short-term component of the account would represent the requirement of funds for temporary purpose i.e., a short-term increase in inventories, tax dividends and bonus payments etc. the borrowing being adjusted in a short period out of sale.

The committee also recommended that to determine the hard-core element of cash credit account, norms for inventory levels should be worked out by chamber of industry or by the Indian bank association.

Although the above recommendations were implemented but no improvement was
noticed except a marginal effect on the pattern of bank financing.

7.5 Tondon committee Report

The reserve bank of India set up a study group in July 1974 under the chairmanship of Mr P.L. Tondon, the then chairman of Punjab National Bank, to frame guideline for follow up of bank credit. Its report was submitted in August 1975.

The study group observed that there was no uniformity in approach among banks in assessing working capital requirement especially with regard to inventories (including safety stock) and receivables in each industry are to be defined. Hence the need for fixing the norms for current assets.

The study group felt that the banker had to finance only a part of the fund requirements of the borrower for carrying current assets, the remaining part must be found from owner’s own funds, plough back of surplus and long term borrowed funds.

The study group laid down three methods of working out the maximum possible level of bank credit to the borrowers.

(i) The borrower will have to contribute a minimum of 25% of the working capital gap (current assets - current liabilities except bank borrowing) this will give a minimum of current ratio of 1:1.

(ii) The borrower’s contribution from long term funds will be to the extent of entire core current assets, and a minimum of 25% of the balance current assets. Which strengthens the current ratio further.

(iii) The borrower should contribute 100% core current assets and 25% of balance current assets from long term sources. The third method will prove the largest multiplier of bank finance. However, to avoid hardships to borrowers a beginning may be made with the first method, placing all borrowers in this method within a period of about one year, and ideal of the third method may be reached in stages. The liberal approach under the first method has been suggested as the first step, particularly to facilitate financial structuring of new companies, setting up projects in backward areas and also for flexibility in restructuring of existing companies with a weak financial base. The study group suggested that the banks, on the merits of individual case, could convert the difference between the borrowings and a suggested limit into a term loan which could have to be amortized over a period.

The implementations of the norms suggested by Tondon Committee in respect of inventories and receivables for the purpose of granting short-term credit by the bank created
some problems. Some of the important problems, suggested norms under the process are, changing economic conditions, matching the borrowers contribution with his credit requirement the complexities encountered in arriving at norms for inventory and receivables, and the validity of norms for finished goods during slack demand conditions. Reserve Bank of India has accepted the above recommendations of the Tondon committee but found that the gap between sanctioned cash credit limit and its utilization has remained unanswered. In this context RBI has appointed Chore committee.

7.6 Chore committee

Reserve bank of India appointed Chore Committee in April 1979, a working group under the chairmanship of Mr. K.B.Chore to look into this gap between the sanctioned limits and their utilization.

The Chore Committee has, inter alia recommended as follows:

Emphasized need for reducing the dependence of large and medium scale units of bank finance for working capita

(1) to supplant to cash credit system by loans and bills wherever possible
(2) to follow simplified information system but with penalties with such information is not forth coming within the specified limit.

Chore Committee also suggested that the banks should adopts henceforth method II of the lending recommended by the Tondon Committee so as to enhance the borrowers' contribution towards working capital. The observance of these guidelines will ensure a minimum current ratio of 1.33:1. Where the borrowers are not in a position to comply with this, excess borrowings on accounts of adoption of Method II should be segregated and converted into a Working Capital Term Loan (WCTL). This loan should be repayable in half-yearly installments over a period not exceeding five years. WCTL may carry a rate of interest higher than the rate applicable on the relative cash credit, not exceeding the ceiling with a view to encourage an early liquidation of WCTL.

It was also suggested that the banks suggested that the banks should fix separate limits where feasible peak level and non-peak level requirements with periods where there is a pronounced seasonal trend. It will not apply to agro-based industries but also to certain consumer approaching banks frequently for ad hoc limits in excess for the sanctioned limit excepting those special circumstances when such requests be considered for short duration with 1% additional interests over normal rate which could be waived in general cases of
merits. Sick units may be allowed general exemptions from the above requirements. The committee also favored encouragement be given to bill finance i.e. bill acceptance and bill discounting practices involving banks, buyers and sellers. The Committee suggested some modifications and improvements in the system earlier recommended by the Tondon Committee. The modified system includes that banks should submit half-yearly statements to RBI above credit limits of borrowers with aggregate working capital of Rs. 50 lakhs and above from the banking system.

7.7 Jilani Committee

In October 1993, another Committee headed by Rashid Jilani chairman Punjab national Bank also suggested an alternative to existing system of lending by way of cash credit for financing working capital requirements. The committee had advocated shift from a cash credit system to a loan system to ensure better cash management by banks. The Committee has also suggested that the existing credit limits be bifurcated into – a loan component corresponding to a company’s core credit requirements and fluctuating credit limits.

In the transition period, the Committee has suggested that a certain portion of the funds under the existing cash credit system be transferred to the loan account for the borrowers with funds based working capital limits over Rs. 10 crore or more. This means as much as 70-80 % of total bank credit would be taken outside the cash credit system. The loan itself be repayable over a period of 3-5 years and would be subject to the same rate of interest as was available to the loan which would be transferred will be determined by the shortfall in net working capital as a result in the rise to current ratio. The current ratio defines the borrower’s contribution towards financing its total current assets.

This norm is referred to in banking parlance as the second method of lending. The Committee has proposed that this ratio be raised from 1.33:1 to 1.5:1 for borrower with funds based working capital requirement above Rs. 10 crore. This means that the borrowers will now have to meet as much as 33.33 % of their credits needs for financing its current assets from long term sources.

The major recommendations of Jilani Committee may be summarized as below :

(i) The Committee has suggested bifurcation of the cash credit limit into a loan component and a fluctuating cash credit limit.
(ii) Identifications of the loan component to be done on the basis of a higher current ratio.

To raise the current ratio from 1.33:1 to 1.5:1 for existing companies with fund based working capital limits of Rs.10 crore and more

(iii) The short fall in net working capital to be transferred to the loan account repayable after 3-5 years and for which the same rate of interest is to be charged.

(iv) Borrowers with limits above Rs. 50 lakhs and below Rs. 10 crore should be subject to a minimum current ratio of 1.5 in a phased manner after 3 years.

(v) Slips back in current ratio are to be allowed only at the discretion of the banks for genuine reasons.

(vi) End use of funds, so granted needs to be monitored.

(vii) Governments departments have been advised to accepts bills drawn on them.

(viii) To reduce dependence on bank credit and increase reliance on long term sources.

7.8 Marathe Committee

The Marathe Committee (Chairman Shri S.S. Marathe) constituted in November 1982 that industry-wise sub Committees be formed to review the existing inventory norms and prescribe norms for more industries and further disaggregating of industry group to the extent necessary.

7.9 Recent changes in maximum permissible bank finance (MPBF):

Bank have always been important providers of funds in the Indian scenario. Two important changes in the credit policy have been effected in the beginning of 1997, this concept have been scrapped. This will give the bank more flexibility in assessing the working capital needs of the firms.

The (MPBF) was introduced in the scenario of a growing economy and regulated stagnating financial market in which bank credit was cornered by a few large borrowers. To ensure wide dispersion of credit, norms for estimation of working capital were fixed. MPBF was too tight a regime estimating working capital needs using the same yardstick for all industries. With abolition of MPBF these needs can be determined by looking at realities of the industry in which the firm operates.

Commercial banks are liberalizing their working capital lending policies in the changed scenario. The alternatives the banks are considering for assessing the working capital needs include cash budget method, turnover method and the net operating cycle method.
Without MPBF, the credit rating agencies (CRIOSIL and ICRA) have announced proposals to come up with a rating system for bank credit to enable lenders to analyze future cash flow projections and the associated risks. The BLR – Bank Loan Rating is to focus on the credit worthiness of corporate borrowers for banks.

Consortium arrangement is the joint financing arrangement by numerous banks. Collectively, one of the bank acting as a local bank. Earlier RBI had prescribed consortium arrangements for financing working capital beyond 50 crores. Now it is not essential to have consortium arrangements. However, banks may themselves decide to form consortium so that risks are spread.

**7.10 IOB liberalizes working capital lending policy:**

In a bid to boost credit off take, Indian Overseas Bank has bought out a ‘customer friendly’ working capital lending policy. As per the new policy the bank would follow Nayak/Vaz Committee recommendation and lend 20% of the projected turnover with a 5% margin to borrowers require working capital finance up to Rs. 2 crores.

In the case of borrowings between Rs. 2 crores and Rs. 10 crores, the bank would adopt the traditional maximum permissible bank finance method but with ‘greater flexibility’ on inventory holding, asset classification and current ratio requirements.

In deserving cases the bank will also adopt a current ratio lower than its bench mark of 1.33%.

For borrowing in excess of Rs. 10 crores, the bank is introducing a new cash budget system whereby the working capital requirement would be fixed based on peak deficit during the year under consideration. Monitoring the deficit would be made on the monthly basis.

The bank, however, has clarified that this new system would be optional and the borrowers are free to choose the traditional method if the cash budget system is not suitable.

The bank would also follow RBI guidelines of treating 80% of working capital limit as demand loan and remaining 20% as operating limit for those borrowers with working limits above Rs. 10 crores.

They also have the option of availing demand loan in excess of 80%.

In the cases of seasonal industries the bank proposes not to insist on demand loan component on basis of case to case.

It also proposes to adopt multiple banking system depending on the client’s need. To speed up assessment procedure, credit appraisals etc. it has created a post of territorial general
managers at central office.

7.11 Role of financial Executives

The responsibilities of financial director/Adviser, whether direct or indirect, with regard to the management of working capital in cement industry included the following manner:

1. (a) determination of financial resources required.
   To meet the company’s operating programme.

   (b) Forecasting how much of these requirements be met by the internal generation of funds by the company and how much from the external sources.

   (c) Developing the best plans to obtain the external funds needed.

2. To formulate programmes to provide most effective profit volume cost relationships.

3. With regards to budgeting. To coordinate long term operating budget covering a period of about 10 years indicating the likely profit/loss year by year during the period, the preparation of the annual operating budget and the budget returns that flows out of the comprehensive budgetary system in operation.

4. To prepare a cash flow statement indicating the cash inflow and outflow of cash during stipulated periods, and a detailed monthly cash flow statement for the year on the basis of annual budgets.

5. To assess the total working capital requirements for the fiscal year and advice the management regarding the sources of working capital requirement.

6. To overall matters, relating to purchase of equipments, raw materials etc., and lay down suitable procedures for purchases to ensure adequate control over such purchases.

7. to ensure maintenance of proper books of accounts including financial, cost and stores, preparation of budgets and conducts of effective internal audit, verification of stocks in such a way that physical stock of selected items are verified each way, each item of stock is verified at least once a year and the surprise element in regard to stock verification is maintained.

8. As custodian of the cash of the company and principal disbursing officer, to ensure that adequate financial control is exercised on the overall allocation and the use of funds in accordance with the approved programme and budget and with due regard to policies and regulations laid down by the board.
9. To be responsible for the following important reports relating to working capital on quarterly base:
   (a) Summary of cash flow
   (b) Forecast of the cash flow for the next quarter
   (c) P&L A/C for the quarter
   (d) Ratios of overheads to sales
   (e) Stocks to sales
   (f) Debtors to sales
   (g) Capital employed to sales.
   (h) Expenditure on the specific items to sale
   (i) Cost of production of items completed during the period together with variations, if any, with standards established.

7.12 Net cash flow from operating activities:

Table No. 7.1

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<td>ACL</td>
<td>384.53</td>
<td>404.1</td>
<td>205.66</td>
<td>343.15</td>
<td>607.22</td>
<td>639.94</td>
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<td>82.58</td>
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<td>12.76</td>
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<td>63.24</td>
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<td>-41.81</td>
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<td>36</td>
<td>21.99</td>
<td>2.91</td>
<td>12.32</td>
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<td>83.94</td>
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<td>SDCL</td>
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<td>46.96</td>
<td>12.63</td>
<td>17.47</td>
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<td>16.03</td>
<td>14.33</td>
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<td>0</td>
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<td>299.74</td>
<td>336.62</td>
<td>550.3</td>
<td>1103</td>
<td>1381.83</td>
<td>1446.99</td>
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<td>235.4</td>
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Source: computed from annual reports of respective companies

Table No. 7.1 shows Net cash flow from operating activities (indirect method) of selected cement companies of India. The Net cash flow from operating activities of ACL was Rs. 384.53 crores in 2000-01 and Rs. 343.15 crores in 2003-04 and Rs. 964.31 crores in 2008-09 with an average of Rs. 766.916. The Net cash flow from operating activities of GSCL was - Rs. 11.51 crores in 2000-01 and Rs. 12.76 crores in 2004-05 and Rs. 86.94 crores with an average of Rs. 34.74 crores. The Net cash flow from operating activities of SIL was Rs. 1.06 crores in 2000 and Rs. 70 crores in 2004-05 and Rs. 230.27 crores in 2008-09 with an average of Rs. 108.014 crores.

The Net cash flow from operating activities of SCL was 37.17 crores in 2000-01 and...
Rs.12.32 crores in 2004-05 and - Rs.15.58 crores in 2008-09 with an average of Rs.22.0756 crores. The Net cash flow from operating activities of SDCL was Rs. 8.43 crores in 2000-01 and - Rs.58.7 crores in 2004-05 and Rs.34.35 crores in 2008-09 with an average of Rs.14.87 crores. The Net cash flow from operating activities of UCL was Rs. 299.74 crores in 2003-04 and Rs.550.3 crores in 2005-06 and Rs.1446.99 crores in 2008-09 with an average of Rs.639.815 crores.

7.13 Net cash inflow/(outflow) from investment activities

Table 7.2

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<td>SDCL</td>
<td>-13.11</td>
<td>-25</td>
<td>-0.58</td>
<td>1.61</td>
<td>-0.25</td>
<td>-0.96</td>
<td>-2.9</td>
<td>-273</td>
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<td>UCL</td>
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<tr>
<td>Avg.</td>
<td>-138.4</td>
<td>-123.9</td>
<td>-116.1</td>
<td>-45.4</td>
<td>-59.9</td>
<td>-104.5</td>
<td>-301.9</td>
<td>-355.4</td>
<td>-372.3</td>
<td>-179.8</td>
</tr>
</tbody>
</table>

Source: computed from annual reports of respective companies

Table No. 7.2 shows Net cash inflow/ (outflow) from investment activities of selected cement companies of India. The Net cash inflow/(outflow) from investment activities of ACL was - Rs.585.32 crores in 2000-01 and - Rs.59.71 crores in 2003-04 and - Rs.274.9 crores in 2008-09 with an average of - Rs.339.0. The Net cash inflow/(outflow) from investment activities of GSCL was - Rs.0.171 crores in 2000-01 and - Rs.1.75 crores in 2004-05 and Rs. 11.07 crores in 2008-09 with an average of - Rs.7.0 crores. The Net cash inflow/(outflow) from investment activities of SIL was - Rs.157.24 crores in 2000-01 and - Rs.47.37 crores in 2004-05 and - Rs.190.46 crores in 2008-09 with an average of - Rs.113.4. The Net cash inflow/(outflow) from investment activities of SCL was - Rs.74.67 crores in 2000-01 and - Rs.4.63 crores in 2004-05 and - Rs.15.58 crores in 2008-09 with an average of - Rs.29.4. The Net cash inflow/(outflow) from investment activities of SDCL was - Rs.13.11 crores in 2000-01 and - Rs.0.25 crores in 2004-05 and - Rs.37.23 crores in 2008-09 with an average of - Rs.11.7 crores. The Net cash inflow/ (outflow) from investment activities of UCL was - Rs.163 crores in 2003-04 and - Rs.355.3 crores in 2005-06 and - Rs.1645.4 crores in
2008-09 with an average of - Rs.592.3 crores.

7.14 Net cash inflow/(outflow) from financing activities

Table 7.3

Net cash inflow/(outflow) from financing activities

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<tr>
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<td>75.46</td>
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<td>-17.77</td>
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<td>26.77</td>
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<td>-29.6</td>
<td>71.06</td>
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<td>-34.493</td>
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<tr>
<td>Avg.</td>
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<td>47.3633</td>
<td>46.52</td>
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<td>-212.53</td>
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<td>-65.958</td>
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</table>

Source: computed from annual reports of respective companies

Table No. 7.3 shows Net cash inflow/(outflow) from financing activities of selected cement companies of India. The Net cash inflow/(outflow) from financing activities of ACL was Rs.174.24 crores in 2000-01 and - Rs.303.3 crores in 2003-04 and - Rs.482.13 crores in 2008-09 with an average of - Rs.341.95. The Net cash inflow/(outflow) from financing activities of GSCL was Rs.9.91 crores in 2000-01 and - Rs.7.92 crores in 2004-05 and Rs.11.07 crores in 2008-09 with an average of - Rs.101.52 crores. The Net cash inflow/(outflow) from financing activities of SIL was Rs.156.59 crores in 2000-01 and - Rs.28.69 crores in 2004-05 and - Rs.143.75 crores in 2008-09 with an average of Rs.5.782 crores. The Net cash inflow/(outflow) from financing activities of SCL was Rs.19.61 crores in 2000-01 and Rs.59.13 crores in 2004-05 and - Rs.15.58 crores in 2008-09 with an average of - Rs.29.4 crores.. The Net cash inflow/(outflow) from financing activities of SDCL was - Rs.13.11 crores in 2000-01 and - Rs.0.25 crores in 2004-05 and Rs.76.05 crores in 2008-09 with an average of Rs.6.56 crores. The Net cash inflow/(outflow) from financing activities of UCL was - Rs.94.94 crores in 2003-04 and - Rs.29.6 crores in 2005-06 and Rs.202.24 crores in 2008-09 with an average of - Rs.34.493 crores.

7.15 Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents:-
### Table 7.4

Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents

(Rs. Crore)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>ACL</td>
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<td>264.48</td>
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<tr>
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<td>-1.77</td>
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<td>1.48</td>
<td>-1.62</td>
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<td>-25.65</td>
<td>-0.52</td>
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<tr>
<td>SIL</td>
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<td>8.85</td>
<td>26.35</td>
<td>-103.94</td>
<td>0.37</td>
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<td>3.14</td>
<td>-6.74</td>
<td>1</td>
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<td>73.17</td>
<td>9.69</td>
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<tr>
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<td>0.00</td>
<td>N.A</td>
<td>41.8</td>
<td>14.43</td>
<td>5.34</td>
<td>27.99</td>
<td>11.1</td>
<td>3.8</td>
<td>13.05</td>
</tr>
</tbody>
</table>

| Avg.     | 7.4467  | 2.6517  | 4.314   | 3.09    | 10.928  | 12.518  | 73.935  | 74.948  | 5.48    | 19.45 |

Source: computed from annual reports of respective companies

Table No. 7.4 shows Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of selected cement companies of India. The Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of ACL was - Rs.26.55 crores in 2000-01 and - Rs.19.85 crores in 2003-04 and Rs.207.28 crores in 2008-09 with an average of Rs. 85.97. The Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of GSCL was - Rs.1.77 crores in 2000-01 and Rs.3.09 crores in 2004-05 and - Rs.25.65 crores in 2008-09 with an average of - Rs.0.52 crores. Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of SIL was Rs. 0.41 crores in 2000-01 and Rs. 0.69 crores in 2004-05 and - Rs.103.94 crores in 2008-09 with an average of Rs. 0.37 crores. The Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of SCL was - Rs.17.89 crores in 2000-01 and Rs. 9.23 crores in 2004-05 and - Rs.121.78 crores in 2008-09 with an average of Rs.0.75. Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of SDCL was - Rs.1.12 crores in 2000-01 and Rs.0.18 crores in 2004-05 and Rs.73.17 crores in 2008-09 with an average of Rs. 9.69 crores. The Net cash inflow/(outflow) due to net increase/(decrease) in cash and cash equivalents of UCL was Rs.41.8 crores in 2003-04 and - Rs.14.43 crores in 2005-06 and Rs. 3.8 crores in 2008-09 with an average of Rs.13.05 crores.
7.16 Cash flow cash opening balance

Table 7.5

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<td>ACL</td>
<td>65.97</td>
<td>39.42</td>
<td>28.61</td>
<td>50.73</td>
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<td>9.08</td>
<td>10.57</td>
<td>8.95</td>
<td>12.04</td>
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<td>19.2</td>
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<td>61.6</td>
<td>89.59</td>
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<td>350</td>
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</table>

Source: computed from annual reports of respective companies

Table No. 7.5 shows Cash flow cash opening balance of selected cement companies of India. The Cash flow cash opening balance of ACL was Rs. 65.97 crores in 2000-01 and Rs. 50.73 crores in 2003-04 and Rs. 642.55 crores in 2008-09 with an average of Rs. 1391.59. The Cash flow cash opening balance of GSCL was Rs. 8.31 crores in 2000-01 and Rs. 8.95 crores in 2004-05 and Rs. 642.55 crores in 2008-09 with an average of Rs. 90.92 crores. Cash flow cash opening balance of SIL was 0.46 crores in 2000-01 and Rs. 3.42 crores in 2004-05 and Rs. 642.55 crores in 2008-09 with an average of Rs. 279.34. The Net Cash flow cash opening balance of SCL was Rs. 39.68 crores in 2000-01 and Rs. 19.2 crores in 2004-05 and Rs. 642.55 crores in 2008-09 with an average of Rs. 388.76. Cash flow cash opening balance of SDCL was Rs. 3.09 crores in 2000-01 and Rs. 1.77 crores in 2004-05 and Rs. 642.55 crores in 2008-09 with an average of Rs. 35.8 crores. The Cash flow cash opening balance of UCL was Rs. 0.03 crores in 2003-04 and Rs. 41.83 crores in 2005-06 and Rs. 642.55 crores in 2008-09 with an average of Rs. 350 crores.
7.17 Cash flow cash closing balance

Table 7.6

Cash flow cash closing balance

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<tbody>
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<td>39.42</td>
<td>18.47</td>
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Table No. 7.6 shows Cash flow cash closing balance of selected cement companies of India. The Cash flow cash closing balance of ACL was Rs. 39.42 crores in 2000-01 and Rs. 30.88 crores in 2003-04 and Rs. 849.83 crores in 2008-09 with an average of Rs. 240.59. The Cash flow cash closing balance of GSCL was Rs. 6.54 crores in 2000-01 and Rs. 12.04 crores in 2004-05 and Rs. 4.14 crores in 2008-09 with an average of Rs. 10.84 crores. Cash flow cash closing balance of SIL was Rs. 0.87 crores in 2000-01 and Rs. 4.11 crores in 2004-05 and Rs.3.87 crores in 2008-09 with an average of Rs. 31.41. The Cash flow cash closing balance of SCL was Rs. 21.79 crores in 2000-01 and Rs. 28.43 crores in 2004-05 and Rs. 17.01 crores in 2008-09 with an average of Rs. 43.94. Cash flow cash closing balance of SDCL was Rs. 4.21 crores in 2000-01 and Rs. 1.95 crores in 2004-05 and Rs. 89.14 crores in 2008-09 with an average of Rs. 13.67 crores. The Cash flow cash closing balance of UCL was Rs. 41.83 crores in 2003-04 and Rs. 56.26 crores in 2005-06 and Rs. 104.49 crores in 2008-09 with an average of Rs. 56.80 crores.

****
References
