

CHAPTER – 6

FINDINGS AND

RECOMMENDATIONS

6.1 Findings

6.2 Recommendations

6.1 FINDINGS :

TATA :

(i) Operating Activities

Cash flow from Operating activities of TATA company is found to be flexible during the period of study. Overall, it decreases by 44.17% during this period.

(ii) Investing Activities

There is a fluctuation in cash flow from investing activities of TATA company during period of study. Overall, it increases by 128.79% during this period.

(iii) Financing Activities

The scenario remains the same in financing activities. The trend seems to be flexible in cash flow from financing activities also. But, overall, it decreases by 188.95% during this period of study.

(iv) Average

Average of Tata Co. is highest among all the selected companies as far as Operating activities are concerned. Hence it is given first rank. But as far as Investing and Financing activities are concerned, it is lowest among all the selected companies. So, it is given last rank.

(v) Standard Deviation

Standard Deviation of TATA Co. is highest among all the selected companies for all the three activities viz. Operating, Investing and Financing. Accordingly, it is given last rank.

(vi) Co – efficient of Variation

As far as Co-efficient of variation is concerned, TATA Co. obtained second rank for Operating activities. But, in case of Investing Activities, it obtained third rank. It secured fourth rank in financing activities.

(vii) Multiple Regression Analysis

In Multiple Regression, the significant value in the ANOVA table is greater than 0.05. Hence, null hypothesis is accepted.

PIDILITE INDUSTRIES LTD. :

(i) Operating Activities

There seems a fluctuation in the cash flow from Operating activities of Pidilite Industries Ltd. during the period of study. Overall, there has been an increase of 455.15% during this period of study.

(ii) **Investing Activities**

Cash flow from investing activities is found to be fluctuative during the period of study. There has been an increase of 238.88% during the period of study.

(iii) **Financing Activities**

Cash flow from financing activities is also found to be fluctuative during the period of study. Overall, the amount has been increased by 1649.33% during this period of study.

(iv) **Average**

With reference to Operating activities, Pidilite Co. secures third rank; in Investing Activities it gets eighth rank. Whereas for financing activities, it secures seventh rank.

(v) **Standard Deviation**

One interesting result is found that Pidilite company secured ninth rank in Standard Deviation for Operating and Financing activities. But, it obtained eighth rank in Investing Activities.

(vi) **Co – efficient of Variation**

As far as Co – efficient of variation of Pidilite Co. obtained fifth rank, seventh rank and third rank for Operating, Investing and Financing activities respectively.

(vii) **Multiple Regression Analysis**

In Multiple Regression, the significant value in the ANOVA table is less than 0.05. Hence, null hypothesis is rejected.

HOCL :

(i) **Operating Activities**

Cash flow from Operating activities of HOCL Co. is found to be fluctuative during this period of study. Overall, there has been a decrease of 119.91% during this period.

(ii) **Investing Activities**

The Scenario remains the same in investing activities. The trend seems to be fluctuative in cash flow from investing activities also. Overall, it has been increased by 125.71% during the period of study.

(iii) Financing Activities

Cash flow from financing activities is also found to be fluctuative during the period of study. But overall, there has been an increase of 135.31% during this period of study.

(iv) Average

Average of HOCL Co. is highest among all the selected companies as far as Investing activities are concerned. So, it is given first rank. But, it secures ninth rank in Operating activities and fifth rank in financing activities.

(v) Standard Deviation

One Interesting result is found that HOCL Company secures second rank for Operating and Financing activities. Whereas it obtained first rank in investing activities.

(vi) Co – efficient of Variation

With reference to Operating, Investing and Financing activities, HOCL Co. secures ninth rank, fourth rank and second ranks respectively for co-efficient of variation.

(vii) Multiple Regression Analysis

In Multiple Regression, the significant value in the ANOVA table is less than 0.05. Hence, null hypothesis is rejected.

MEGHMANI ORGANICS LTD. :

(i) Operating Activities

There seems a fluctuation in the cash flow from Operating activities of Meghmani Organics Ltd. during the period of study. But, overall, there is huge increase of 14877.36% during the period of study.

(ii) Investing Activities

Cash used in investing activities indicates fluctuative trend during the period of study. Overall, it has been increased by 83.37% during the period of study.

(iii) Financing Activities

The situation remains same in financing activities. Here also, cash flow from financing activities indicates fluctuative trend. But, overall, it has been decreased by 454.43% during this period of study.

(iv) **Average**

With reference to Operating, Investing and Financing activities, Meghmani Company secures seventh, fourth and second ranks respectively for average.

(v) **Standard Deviation**

One Interesting result is found that for standard deviation, Meghmani Company obtained third rank in all the three i.e. Operating, Investing and Financing activities.

(vi) **Co – efficient of Variation**

As far as co-efficient is concerned, Meghmani Co. secured seventh, eighth and ninth ranks in Operating, Investing and Financing activities respectively.

(vii) **Multiple Regression Analysis**

In Multiple Regression, the significant value in the ANOVA table is greater than 0.05. Hence, null hypothesis is accepted.

CLARIANT :

(i) **Operating Activities**

Cash flow from Operating activities of Clariant company seems to be fluctuative during this period of study. Overall, it has been increased by 160.65% during this period of study.

(ii) **Investing Activities**

There seems a fluctuation in cash flow from investing activities also. But, overall, it has been increased by 180.40% during this period of study.

(iii) **Financing Activities**

The Scenario remains the same for financing activities also. Here also trend seems to be fluctuative during this period of study. Overall, it has been decreased by 943.54% during the period of study.

(iv) **Average**

For average, Clariant company secures fifth rank with reference to Operating activities. But it gets third rank in investing activities. But it secures eighth rank in financing activities.

(v) **Standard Deviation**

As far as standard deviation is concerned, Clariant company secures seventh rank in Operating activities, sixth rank in investing activities and fourth rank in financing activities.

(vi) **Co –efficient of Variation**

For co-efficient of variation, Clariant company obtained seventh rank in Operating activities. It secures first rank in investing activities. Whereas in financing activities, it secures seventh rank.

(vii) **Multiple Regression Analysis**

In Multiple Regression, the significant value in the ANOVA table is less than 0.05. Hence, null hypothesis is rejected.

NOCIL :

(i) **Operating Activities**

Cash flow from Operating activities of NOCIL company is found to be fluctuative during the period of study. Overall, it increases by 88.63% during this study period of eight years.

(ii) **Investing Activities**

There is a fluctuation in cash flow from investing activities of NOCIL company during period of study. Overall, it decreases by 276.73% during this period.

(iii) **Financing Activities**

The scenario remains the same in financing activities. The trend seems to be fluctuative in cash flow from financing activities also. But, overall, there has been a huge decrease of 635.50% during this period of study.

(iv) **Average**

Average of NOCIL Co. is lowest among all the selected companies as far as Operating activities are concerned. Hence it is given last (tenth) rank. But as far as Investing and Financing activities are concerned, it obtained second rank and fourth rank respectively.

(v) **Standard Deviation**

Standard Deviation of NOCIL Co. is lowest among all the selected companies for Operating and Financing activities. So, it is given first rank. But, in investing activities, it obtained second rank.

(vi) **Co – efficient of Variation**

Co-efficient of variation is highest in NOCIL Co. among all the companies for Operating activities. Accordingly, it is given last rank. But, the situation is completely different in case of financing activities. It obtained first rank with

highest co-efficient of variation. In investing activities, it obtained second rank.

(vii) Multiple Regression Analysis

In Multiple Regression, the significant value in the ANOVA table is greater than 0.05. Hence, null hypothesis is accepted.

HIMADRI CHEMICALS LTD. :

(i) Operating Activities

Cash flow from Operating activities of Himadri company is found to be fluctuative during the period of study. Overall, there has been a huge increase of 3978.95% during this study period of eight years.

(ii) Investing Activities

There is a fluctuation in cash flow from investing activities of Himadri company during period of study. Overall, it increases by 819.36% during this period.

(iii) Financing Activities

The scenario remains the same in financing activities. The trend seems to be fluctuative in cash flow from financing activities also. But, overall, there has been an increase of 334.20% during this period of study.

(iv) Average

Average of Himadri Co. is highest among all the selected companies as far as Financing activities are concerned. Hence it is given first rank. But as far as Operating and Investing activities are concerned, it obtained eighth rank and seventh rank respectively.

(v) Standard Deviation

As far as Standard Deviation is concerned, Himadri Co. obtains fifth rank, ninth rank and eighth rank for Operating, Investing and Financing activities respectively.

(vi) Co – efficient of Variation

Himadri company secures eighth rank in co-efficient of variation of Operating and Financing activities. But, for investing activities, it obtains sixth rank.

(vii) Multiple Regression Analysis

In Multiple Regression, the significant value in the ANOVA table is greater than 0.05. Hence, null hypothesis is accepted.

HIKAL LTD. :

(i) Operating Activities

Cash flow from Operating activities of NOCIL company is found to be fluctuative during the period of study. Overall, it increases by 818.71% during this study period of eight years.

(ii) Investing Activities

There is a fluctuation in cash flow from investing activities of NOCIL company during period of study. Overall, it decreases by 15.55% during this period.

(iii) Financing Activities

The scenario remains the same in financing activities. The trend seems to be fluctuative in cash flow from financing activities also. But, overall, there has been a huge decrease of 275.90% during this period of study.

(iv) Average

As far as average is concerned, HIKAL company secures sixth rank in Operating as well as Investing Activities. But, for financing activities, it obtains third rank.

(v) Standard Deviation

HIKAL company obtains sixth rank for Operating and Financing activities. But, in investing activities, it obtains fourth rank.

(vi) Co – efficient of Variation

Co-efficient of variation is highest in HIKAL Co. among all the companies for financing activities. Accordingly, it is given last rank. But, for Operating and Investing activities, it secures fourth rank and ninth rank respectively.

(vii) Multiple Regression Analysis

In Multiple Regression, the significant value in the ANOVA table is less than 0.05. Hence, null hypothesis is rejected.

BASF LTD. :

(i) Operating Activities

Cash flow from Operating activities of BASF company is found to be fluctuative during the period of study. Overall, there has been an increase of 115.65% during this study period of eight years.

(ii) **Investing Activities**

There is a fluctuation in cash flow from investing activities of BASF company during period of study. Overall, there has been a huge increase of 14494.26% during this period.

(iii) **Financing Activities**

The scenario remains the same in financing activities. The trend seems to be fluctuative in cash flow from financing activities also. But, overall, there has been a decrease of 114.31% during this period of study.

(iv) **Average**

As far as average is concerned, BASF company obtains fourth rank in Operating activities, fifth rank in investing activities and sixth rank in financing activities.

(v) **Standard Deviation**

As far as Standard Deviation is concerned, BASF Co. obtains fifth rank in Investing and Financing activities. But, in Operating activities, it secures fourth rank.

(vi) **Co – efficient of Variation**

Like standard deviation, BASF company secures fifth rank in Investing and Financing activities. But, for Operating activities, it obtains third rank.

(vii) **Multiple Regression Analysis**

In Multiple Regression, the significant value in the ANOVA table is less than 0.05. Hence, null hypothesis is rejected.

GUJARAT ALKALIS LTD. :

(i) **Operating Activities**

Cash flow from Operating activities of Gujarat Alkalis Ltd. is found to be fluctuative during the period of study. Overall, it increases by 7.39% during this study period of eight years.

(ii) **Investing Activities**

There is a fluctuation in cash flow from investing activities of Gujarat Alkalis Ltd. during period of study. Overall, it decreases by 235.14% during this period.

(iii) **Financing Activities**

The scenario remains the same in financing activities. The trend seems to be fluctuative in cash flow from financing activities also. But, overall, there has been decrease of 73.54% during this period of study.

(iv) **Average**

As far as average is concerned, Gujarat Alkalis Ltd. secures second rank in Operating activities. But, for Investing and Financing activities, it obtains ninth rank.

(v) **Standard Deviation**

Gujarat Alkalis Ltd. obtains eighth rank for Operating activities. But, in Investing and Financing activities, it obtains seventh rank.

(vi) **Co – efficient of Variation**

Co-efficient of variation is lowest in Gujarat Alkalis Ltd. among all the companies for Operating activities. Accordingly, it is given first rank. But, situation is completely different in case of investing activities. It secures tenth rank with highest co-efficient of variation. For financing activities, it secures sixth rank.

(vii) **Multiple Regression Analysis**

In Multiple Regression, the significant value in the ANOVA table is 0.05. Hence, null hypothesis is rejected.

6.2 **RECOMMENDATION :**

Following are the suggestions from research study based on cash flow statements:

- (1) Out of selected ten companies from chemical industry, in case of Himadri Ltd., cash flows from operating, investing and financing negatively impact on the net profit of the company. Therefore, company should concentrate on factors that positively affect net profit. As the negative effect of financing activities is comparatively low compared to two other activities i.e. operating and investing, company should push up financing activities. Company should take following actions to increase its profit:
 - Company should reduce the amount of depreciation by reducing the amount of fixed assets purchased.

- Company should try to reduce the interest expense as well as dividend expense.
 - Company should try to reduce its foreign exchange losses.
 - Company should try to reduce the investment in trades and other receivables and inventories.
 - Company should reduce the amounts deposited in trades, other payables and provisions.
 - Company should invest in such type of securities which give regular and higher amount of interest and dividends.
 - Company should maintain the balance between investments purchased and sold.
 - Company should reduce the amounts borrowed to reduce the interest and other expenses.
- (2) In BASF Ltd. also, net profit is negatively influenced by cash flow from all the three activities. So, company should undertake following measures to reduce the negative impact of three activities:
- Company should reduce the amount of depreciation by reducing the amount of fixed assets purchased.
 - Company should maintain balance in provision for employee benefits every year instead of spending higher amount in one year.
 - Company should try to reduce its foreign exchange losses.
 - Company should utilize excess owner's funds in comparison to borrowed funds. In this way, company should reduce the interest expense.
 - Company should change its credit policy of sales to reduce the amount of bad debts and provision for doubtful debts.
 - Company should also maintain rational proportion in obtaining borrowings from year to year instead of borrowing higher amount in a single year.
 - Company should try to reduce the amount of tax paid.
 - Company should maintain the balance between fixed assets purchased and sold.
 - Company should maintain the balance between short term borrowings and long term borrowings.

- (3) By applying multiple regression models, it has been observed that HOCL company bears a loss (intercept, $B_1 = -64.085$). In this situation, company should concentrate more on operating and financing activities to obtain more cash or to enjoy sound liquidity as both these activities positively affect net profit. For this, company should adopt following strategies:
- Company should maintain rational proportion in purchasing fixed assets. It should decrease the amount which is invested in fixed assets.
 - Company should try to reduce the loss on sale of assets.
 - Company should maintain rational proportion of working capital changes from year to year.
 - Company should maintain balance between purchase and sale of Investments.
 - Company should try to reduce the interest expense as well as dividend expense.
 - Company should maintain rational proportion in issuing shares from year to year.
 - Company should maintain the balance between obtaining and repaying long term borrowings.
 - Company should maintain the balance between obtaining and repaying bank borrowings.
 - Company should also maintain rational proportion in obtaining borrowings from year to year instead of borrowing higher amount in a single year.
- (4) Considering Gujarat Alkalis Ltd., it has been inference mechanically that zero investment in operating, investing and financing activities, company has suffered firm loss, based on last eight years data. Company should undertake following measures to reduce the negative impact of three activities:
- Company should reduce the amount invested in fixed assets and by this way should reduce the amount of depreciation.
 - Company should invest in such type of securities which give regular and higher amount of interest and dividends.
 - Company should try to reduce the interest expense as well as dividend expense.

- Company should maintain the balance between proceeds and repayments of other borrowings.
 - Company should try to reduce deferred revenue expenditure from year to year.
 - Company should try to reduce the investment in trades and other receivables and inventories.
 - Company should reduce the amounts deposited in trades, other payables and provisions.
 - Company should maintain the balance between investments purchased and sold.
 - Company should maintain the balance between short term and long term bank borrowings.
 - Company should maintain the rational proportion of issuing right shares from year to year instead of issuing in a single year.
- (5) Research study shows that the weightage of three activities on net profit of Tata company is very less. Therefore, company should emphasis on variables that influence net profit of the company positively. Company should adopt following strategies to increase its net profit:
- Company should utilize excess owner's funds in comparison to borrowed funds. In this way, company should reduce the interest expense.
 - Company should maintain balance in provision for employee benefits every year instead of spending higher amount in one year.
 - Company should maintain rational proportion of working capital changes from year to year.
 - Company should maintain rational proportion in purchasing fixed assets. It should decrease the amount which is invested in fixed assets.
 - Company should maintain balance between purchase and sale of Investments.
 - Company should also maintain rational proportion in obtaining borrowings from year to year instead of borrowing higher amount in a single year.
 - Company should try to reduce the interest expense as well as dividend expense.

- Company should invest in such securities that company can receive regular income of interest and dividend.
- (6) HIKAL Co. and NOCIL companies should concentrate more on operating and financing activities as cash flows from such activities are more than investing activities. For this, they should consider following strategies:
- Companies should change its credit policy of sales to reduce the amount of bad debts and provision for doubtful debts.
 - Companies should maintain rational proportion of working capital changes from year to year.
 - Companies should maintain the rational proportion of Investment in subsidiaries from year to year instead of investing huge amount in a single year.
 - Companies should invest in such securities that company can receive regular income of interest and dividend.
 - Companies should maintain the balance between proceeds and repayments of other borrowings.
 - Companies should try to reduce their foreign exchange losses.
 - Companies should maintain the rational proportion of issuing shares from year to year instead of issuing in a single year.
 - Companies should utilize excess owner's funds in comparison to borrowed funds. In this way, Companies should reduce the interest expense.
 - Companies should reduce the amounts deposited in trades, other payables and provisions.
- (7) Pidilite company should adopt following strategies to increase its net profit and to reduce its adverse effect of the investing activities:
- Company should try to reduce its foreign exchange losses.
 - Company should change its credit policy of sales to reduce the amount of bad debts and provision for doubtful debts.
 - Company should maintain rational proportion of working capital changes from year to year.

- Company should maintain rational proportion in purchasing fixed assets. It should try to reduce the amount which is invested in fixed assets.
 - Company should maintain balance between purchase and sale of Investments.
 - Company should maintain the balance between short term and long term bank borrowings.
 - Company should maintain the rational proportion in issuing foreign currency convertible bonds as well as non convertible debentures from year to year.
 - Company should try to reduce the interest expense as well as dividend expense.
 - Company should invest in such securities that company can receive regular income of interest and dividend.
- (8) Meghmani Organics Ltd. and Clariant Chemicals Ltd. should adopt following strategies in order to maintain the balance among operating, investing and financing activities:
- Companies should maintain balance in provision for employee benefits every year instead of spending higher amount in one year.
 - Companies should maintain balance between purchase and sale of Mutual funds.
 - Company should maintain the balance between proceeds and repayments of other borrowings.
 - Companies should maintain balance in provision for employee benefits every year instead of spending higher amount in one year.
 - Companies should maintain the balance between giving and collecting loans to subsidiaries.
 - Companies should invest in such securities that they can receive regular income of interest and dividend.

LIST OF ABBREVIATIONS

- **CFS** = CASH FLOW STATEMENT
- **AS** = ACCOUNTING STANDARD
- **IAS** = INTERNATIONAL ACCOUNTING STANDARD
- **CFFOA** = CASH FLOW FROM OPERATING ACTIVITIES
- **CFFIA** = CASH FLOW FROM INVESTING ACTIVITIES
- **CFFFA** = CASH FLOW FROM FINANCING ACTIVITIES
- **NSE** = NATIONAL STCK EXCHANGE
- **BSE** = BOMBAY STCK EXCHANGE
- **FA** = FIXED ASSETS
- **CA** = CURRENT ASSETS
- **EX** = EXAMPLE
- **GAAP** = GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES
- **SD** = STANDARD DEVIATION
- **INFLIBNET** = INFORMATION AND LIBRARY NETWORK
- **FASB** = FINANCIAL ACCOUNTING STANDARD BOARD
- **P/E** = PRICE EARNING RATIO
- **AASB** = AUSTRALIAN ACCOUNTING STANDARD
BOARD
- **US** = UNITED STATES OF AMERICA
- **AIMR** = ASSOCIATION FOR INVESTMENT
MANAGEMENT AND RESEARCH
- **NI** = NET INCOME

- **P&L** = PROFIT AND LOSS
- **B/S** = BALANCE SHEET
- **GDP** = GROSS DOMESTIC PRODUCT
- **ICCA** = INTERNATIONAL COUNCIL OF CHEMICAL ASSOCIATION
- **ICAI** = INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
- **SSI** = SMALL SCALE INDUSTRIES
- **FDI** = FOREIGN DIRECT INVESTMENT
- **MNC** = MULTINATIONAL COMPANIES
- **KGS** = KILOGRAMS
- **CIPET** = CENTRAL INSTITUTE OF PLASTIC ENGINEERING TECHNOLOGY
- **ICI** = INDIAN CHEMICAL INDUSTRY
- **MOU** = MEMORANDUM OF UNDERSTANDING
- **TCL** = TATA CHEMICALS LIMITED
- **WLTI** = WILD LIFE TRUST OF INDIA
- **APPROX** = APPROXIMATELY
- **GACL** = GUJARAT ALKALIS CHEMICALS LIMITED
- **NOCIL** = NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED
- **HOCL** = HINDUSTAN ORGANIC CHEMICALS LIMITED