

EVALUATING THE CASH FLOW MANAGEMENT

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ABSTRACT:

In order to evaluate liquidity, solvency, and operational efficiency, the study looks at cash flow management strategies in the technology distribution and supply chain solutions sector utilizing financial analysis techniques such as ratio analysis, trend analysis, and comparative balance sheet review. The results show that businesses in this industry usually have robust operating cash flows to sustain their remarkable liquidity. Overall cash efficiency may be impacted by ongoing difficulties in managing finance operations and streamlining inventory cycles. The study also emphasizes how crucial it is to keep inflows and outflows in balance in order to guarantee efficient operations. All things considered, it highlights how maintaining development, enhancing financial performance, and guaranteeing long-term stability in the IT distribution industry depend on efficient cash flow management.

KEYWORDS: Cash flow, liquidity, financial ratios, cash flow statement, IT distribution, and financial management are some of the key terms.

I.INTRODUCTION

The entry and outflow of cash or cash equivalents within a firm is referred to as cash flow. It is an essential indicator of operational effectiveness and liquidity. Negative cash flow suggests possible financial strain, but positive cash flow shows enough liquid assets to cover short-term obligations. There are three types for cash flows:

- **Operating Activities**

It describes the revenue generated by an organization's primary business activities. A cash flow statement's first section records the cash inflows and outflows from operations. Inflows are produced by selling goods or offering services like debt collection. However, withdrawals of funds occur from a number of sources, such as paying taxes, disbursing salaries, purchasing goods, and covering other operational expenses.

- **Investing Activities**

Cash flow from investing activities is the movement of money resulting from investments in long-term assets and other investment opportunities. This section explains how capital investments help a firm grow and prosper. Cash outflows include investments in securities, acquisitions of other businesses, and purchases of property, plant, and equipment (PPE). Cash inflows might come from investment portfolio returns, loan repayment to other parties, or the sale of fixed assets. This includes funds received or used for investment activities, such as purchasing or disposing of assets, launching new businesses, or financing R&D

- **. Financing Activities**

Any capital-related receipts and payments are the primary elements of financing operations. The word "finance inflow" refers to the raising of money through long-term debt or equity. Cash from bonds, common stock, preferred stock, and other short-term and long-term borrowings are all included. Thus, the two primary funding sources are creditors and stockholders. Money outflows include loan repayment, bond redemptions, Treasury stock purchases, and dividend payments. Cash flows associated with capital raising or repayment, such as stock issuing, borrowing, or debt repayment, are represented by this.

II.LITERATURE REVIEW

Wei Lijun (2025). "Identifying, evaluating, and managing risks in order to optimize cash flow management for ship financing leasing." This study focuses on cash flow risks in the ship financing leasing industry in order to identify operational hazards and optimize financing structures. Based on a sustainable development case study, it develops a Net Cash Flow (NCF) model specifically for ship leasing, assesses risks related to the shipping sector, operations, and ship features, and recommends risk management strategies.

Irma M. Nonangular, Samuel PD Ananta Jaya, Eko Kusnadi, and Vivi Adeyani Tendean (2024). "The Effect of Cash Flow Management on Indonesian MSMEs' Sustainability." This study highlights the importance of cash flow management for the sustainability of Micro, Small, and Medium-Sized Enterprises (MSMEs) in Indonesia and recognizes their significant economic contributions. It addresses problems including limited access to financing and financial literacy, which have been exacerbated by the COVID-19 pandemic, and concentrates on enhancing cash flow management strategies to boost MSME resilience.

Mubarak Al-Alawi, Ashraf Elavon, and Ali Fares (2024). "Multi-objective Optimization Approach for Finance-based Scheduling for Cash-flow Management of Maintenance Portfolios." This paper presents a finance-based scheduling (FBS) model that enables portfolio owners, such bridge agencies, to manage cash flow in maintenance projects, thereby addressing the prevalent issue of budget allocation models neglecting operational cash demands. By matching agency cash requirements with budgets across fiscal years through multi-objective optimization, it minimizes project completion delays.

Iwona Krzykowski, Maciej Sikorski, and Leonard Milewski (2024). This essay emphasizes how crucial it is for Small and Medium Enterprises (SMEs) to efficiently manage their cash flow during challenging economic times. It outlines practical strategies to increase financial flexibility and resilience, such as identifying risks, evaluating finances, preparing for emergencies, prioritizing expenditure, building connections with suppliers, optimizing processes, and making use of technology.

K. Koopman and R. Cumberlege (2021). This study, which focuses on South African contractors, shows that even with the application of methods like S-curves and cost projections, many businesses encounter cash difficulties and late payments. It encourages proactive planning, income diversification, and consistent reporting to prevent delays and financial hardship.

In 2020, Pliskova NS, Produnova NA, Ignatieva OV, Nayana EA, Goncharov VV, and Surikova A. Title: "Controlling in the Company's Cash Flow Management." In order to promote the sustainability and solvency of businesses, this study examines the function of internal controlling in efficient cash flow management. It suggests structured procedures to maximize cash utilization and promote long-term financial stability, as well as analytical tools for monitoring and forecasting to guarantee solvency. In order to improve both present operations and long-term strategic financial outcomes, it promotes strengthening internal control measures.

Nanga, Ven. Onuorah, J. K. J., and Offor T. N. (2020). "Cash Flow Management and Financial Performance of Quoted Nigerian Oil and Gas Firms" is the title. The relationship between cash flow management and financial performance in a subset of Nigerian oil and gas companies was experimentally investigated in this study between 2013 and 2018. It discovered that while financing cash flow had a major positive impact on profitability, operational and investing cash flows had negligible negative effects. In order to increase profitability and liquidity, the study advises businesses to reevaluate their cash flow plans.

Abdul Rahman and Raj Bahadur Sharma (2020). This research looked at how operating cash flows (CFOs) affected the financial performance (ROA and ROE) of Saudi manufacturing and insurance enterprises. It revealed a substantial and positive association between CFOs and ROA and ROE, implying that increased operational cash flow boosts the financial performance of these industries. Performance was adversely associated with company size and leverage.

Viktoriya Onegin, Mykola Husiatynskyi, Valerii Nemchenko, Tetiana Mayorova, Lyudmila Bohrinovtseva, and Denys Sedikov (2019). This research focuses on the role of information technology in managing public financial flows. It advocates for intelligent financial tools to improve state resource allocation, budgeting, and distribution, as well as fuzzy decision trees for partial data processing. The study emphasizes the need of timely, structured information in financial planning, decision-making, and budget performance assessment.

III. RESEARCH METHODOLOGY

RESEARCH DESIGN

This study will adopt an analytical and descriptive research design. It aims to systematically describe and assess Redington Limited's cash flow management practices within a given period of time. The descriptive component will include presenting the calculated financial ratios and generated financial statements (Comparative and Common-size Balance Sheets).

DATA COLLECTION

The study will make use of secondary data. The primary sources of information will be Redington Limited's publicly available audited financial statements covering its balance sheets and cash flow statements for the last five fiscal years, from FY2020 to FY2024. This financial statement will be available on the company's official website, yearly reports, and possibly other financial databases.

RESEARCH METHODS

This study will employ a quantitative research methodology. The primary focus of the study will be the collection and analysis of numerical data from Redington Limited's financial statements.

IV. ANALYSIS AND INTERPRETATION OF DATA

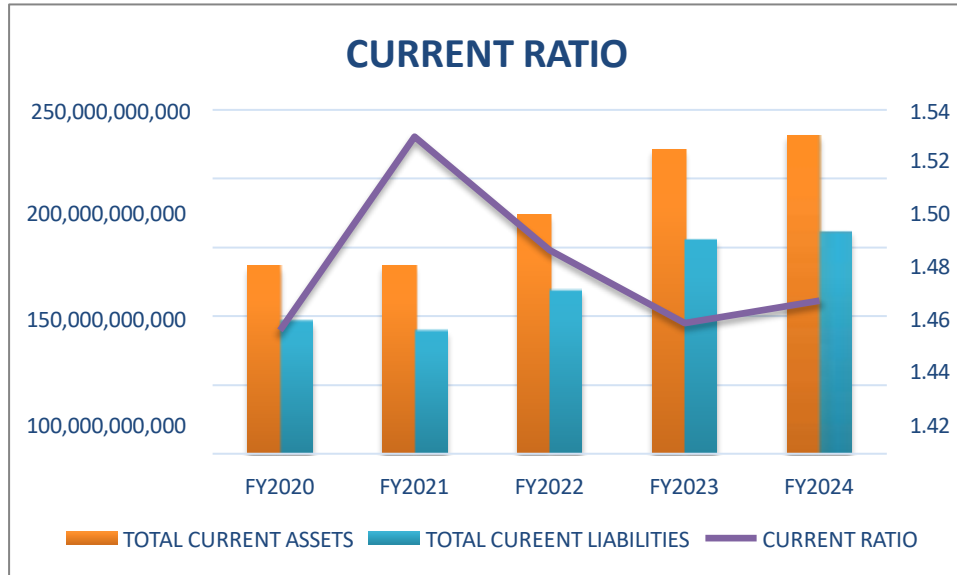
The current ratio evaluates a company's ability to pay down its short-term debt with its short-term assets. It shows the current asset to current liability ratio.

$$\text{Current Ratio} = \frac{\text{current asset}}{\text{current liability}}$$

Year	Current Assets (₹)	Current Liabilities (₹)	Current Ratio
FY2020	1,36,53,66,00,000	96,71,54,00,000	1.41
FY2021	1,37,00,06,00,000	89,87,12,00,000	1.52

FY2022	1,73,59,38,00,000	1,19,02,08,00,000	1.46
FY2023	2,21,37,52,00,000	1,56,33,81,00,000	1.42
FY2024	2,31,62,03,00,000	1,62,08,06,00,000	1.43

Source: Secondary data



INTERPRETATION

The trend of the company's current ratio from FY2020 to FY2024 is displayed in table 4.1.1 above, which illustrates its capacity to satisfy short-term obligations with current assets. The ratio for the 2020 fiscal year was 1.41. In FY2021, it reached a peak of 1.52, indicating the best short-term liquidity situation that year. The ratio remained steady between 1.46, 1.42, and 1.43 during FY2022 and FY2024. The Current Ratio was continuously higher than 1.0 over the five years (FY2020 to FY2024).

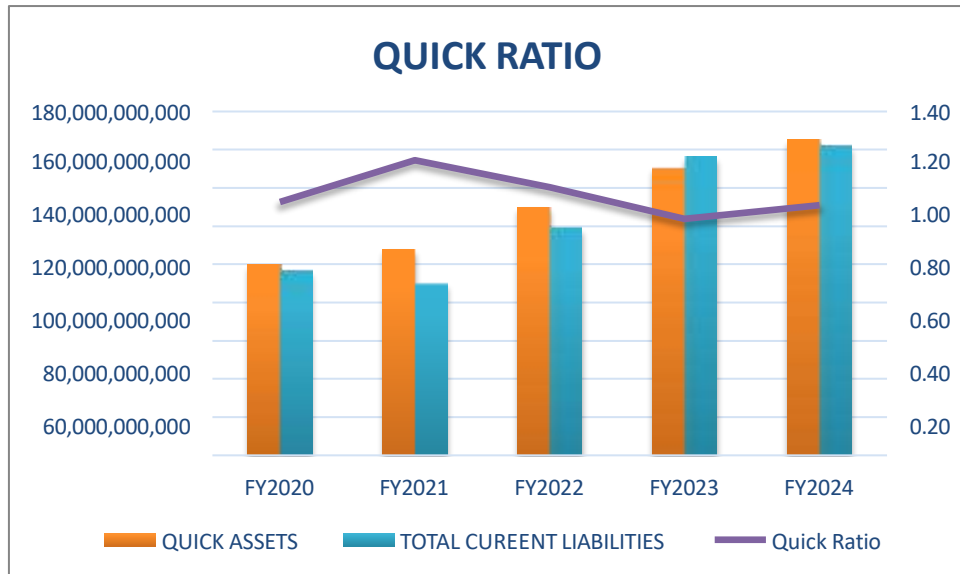
QUICK RATIO

The Quick Ratio, also known as the Acid-Test Ratio, evaluates how well a company can pay its short-term debts with its most liquid assets, excluding inventories. A fast ratio of at least 1 shows that the company can satisfy its short-term obligations without relying on inventory sales.

$$\text{Quick ratio} = (\text{Total current asset} - \text{inventories}) / \text{Total current liabilities}$$

Year	Quick Assets (₹)	Current Liabilities (₹)	Quick Ratio
FY2020	99,80,90,00,000	96,71,54,00,000	1.03
FY2021	1,07,97,95,00,000	89,87,12,00,000	1.20
FY2022	1,29,76,34,00,000	1,19,02,08,00,000	1.09
FY2023	1,50,52,26,00,000	1,56,33,81,00,000	0.96
FY2024	1,65,09,21,00,000	1,62,08,06,00,000	1.02

Source: Secondary data



INTERPRETATION

Table 4.1.2 above depicts the company's fast ratio trend from FY2020 to FY2024, revealing its ability to meet short-term obligations with highly liquid assets. The ratio for the 2020 fiscal year was 1.03. In FY2021, it increased considerably to 1.20, indicating a very strong immediate liquidity situation. The ratio declined to 1.09 in FY2022 and then below one in FY2023 (0.96), showing a reliance on inventories to meet obligations. In FY2024, it rose slightly to 1.02.

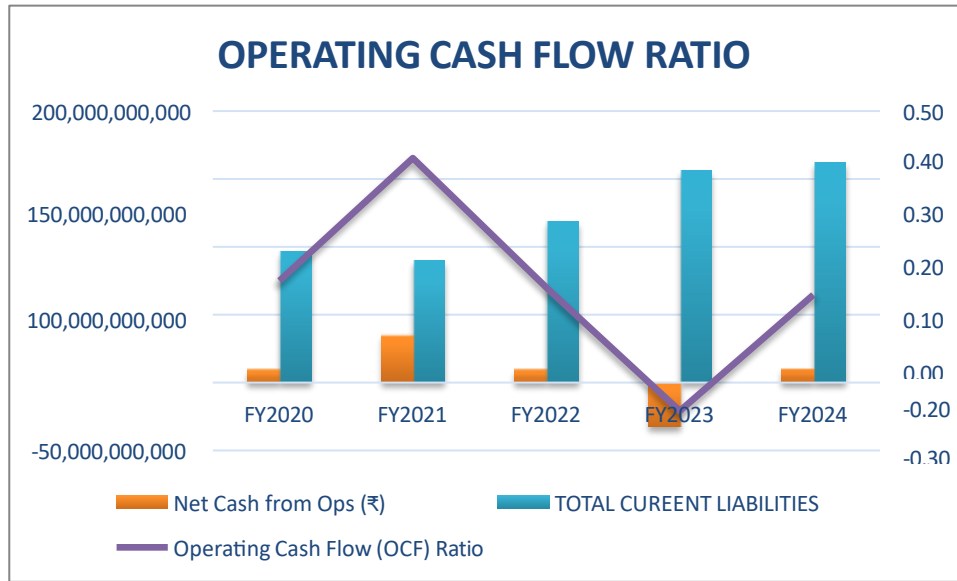
The Operating Cash Flow Ratio

The operational cash flow ratio measures how successfully a company can use its operating cash flow to meet its current liabilities. It demonstrates how well the business's everyday operations satisfy its immediate financial obligations. A high OCF ratio indicates strong internal cash creation and lower dependency on outside finance.

$$\text{Operating cash flow ratio} = \text{operating cash flow} / \text{current ratio}$$

Year	Net Cash from Operations (₹)	Current Liabilities (₹)	Operating Cash Flow Ratio
FY2020	9,65,65,00,000	96,71,54,00,000	0.10
FY2021	34,96,89,00,000	89,87,12,00,000	0.39
FY2022	9,89,20,00,000	1,19,02,08,00,000	0.08
FY2023	-32,33,52,00,000	1,56,33,81,00,000	-0.21
FY2024	10,79,40,00,000	1,62,08,06,00,000	0.07

Source: Secondary data



INTERPRETATION

the Operating Cash Flow Ratio trajectory from 2020 to 2024, emphasizing how effectively the company uses cash from core operations to meet short-term obligations. In FY2020, operational cash was 0.10, while net cash from operations was ₹9,65,65,000. In FY2021, net cash from operations grew dramatically to ₹34,96,89,000, while operational cash increased to 0.39. This shows that cash flow from fundamental business activities was strong this year. In FY2022, operational cash declined to 0.08, while net cash from operations decreased dramatically to ₹9,89,20,000. In 2023, the firm had a negative operating cash of -0.21, resulting into a net cash outflow of -₹32,33,52,000. In FY2024, the net cash from operations grew to ₹10,79,40,000. and operational cash turned positive once more at 0.07.

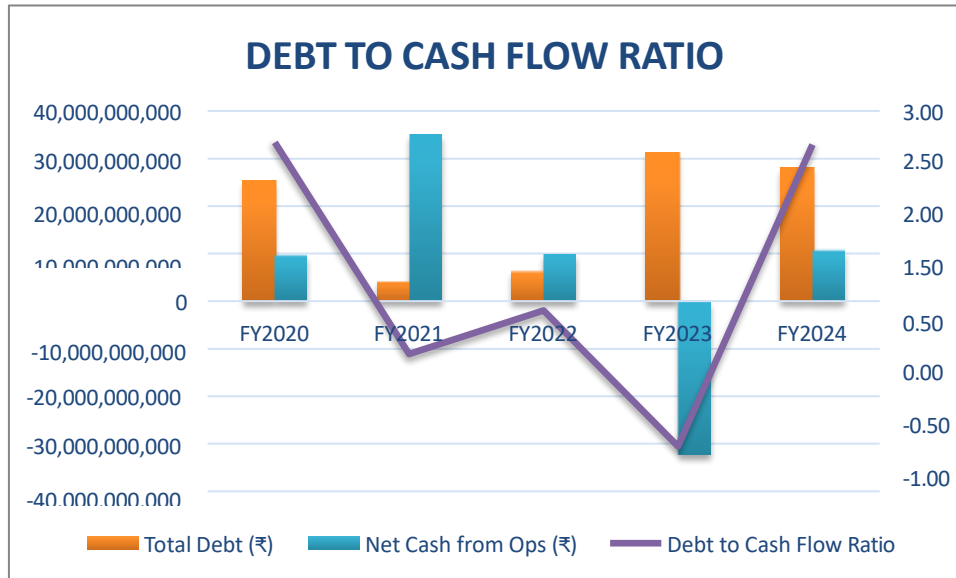
Debt To Cash Flow Ratio

The debt to cash flow ratio calculates how many years it would take to use operating cash flow to pay off all of the debt.

$$\text{Debt to cash flow ratio} = \text{Total debt} / \text{Net cash from Operating activities}$$

Year	Total Debt (₹)	Net Cash from Operations (₹)	Debt To Cash Flow Ratio
FY2020	25,37,48,00,000	9,65,65,00,000	2.63
FY2021	4,38,90,00,000	34,96,89,00,000	0.13
FY2022	6,32,79,00,000	9,89,20,00,000	0.64
FY2023	31,27,37,00,000	-32,33,52,00,000	-0.97
FY2024	28,06,96,00,000	10,79,40,00,000	2.60

Source: Secondary data



INTERPRETATION

The Debt to Cash Flow Ratio fluctuates throughout five years. In FY 2021 and FY 2022, the firm received scores of 0.13 and 0.64 for its capacity to pay off debt using operational cash flow, respectively. However, in FY2020 and FY2024, it will take longer to pay off the debt (2.63 and 2.60, respectively). The negative ratio (-0.97) shows an inability to produce operational cash to pay down debt in fiscal year 2023, which is highly alarming.

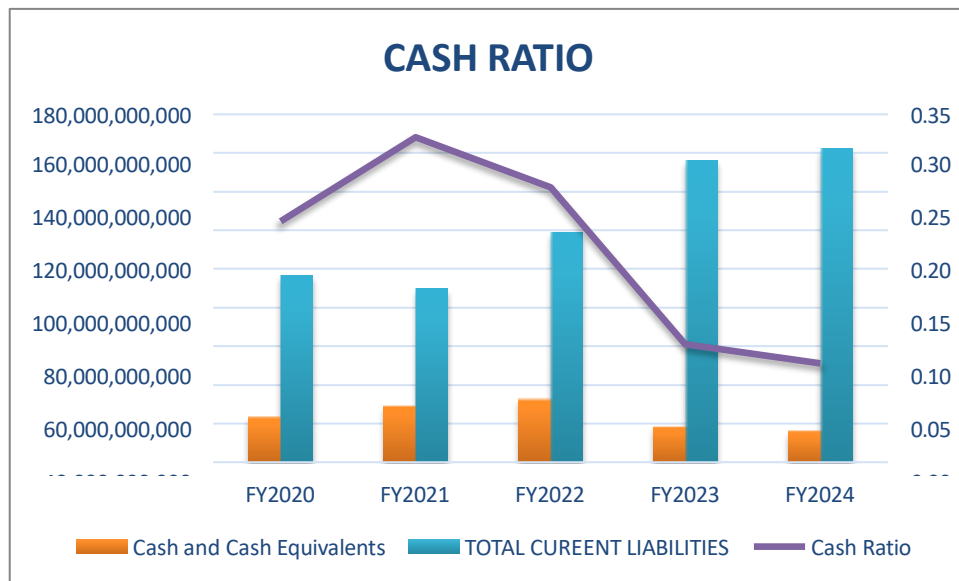
Cash Ratio

The cash ratio assesses how well a business can use its cash and equivalents to settle its current debts. Better immediate liquidity is suggested by a larger cash ratio, although an excessively high ratio could point to ineffective cash use.

$$\text{CASH RATIO} = \text{CASH AND CASH EQUIVALENTS} / \text{CURRENT LIABILITIES}$$

Year	Cash And Cash Equivalents (₹)	Current Liabilities (₹)	Cash Ratio
FY2020	23,43,54,00,000	96,71,54,00,000	0.24
FY2021	29,38,58,00,000	89,87,12,00,000	0.33
FY2022	32,89,54,00,000	1,19,02,08,00,000	0.28
FY2023	18,58,85,00,000	1,56,33,81,00,000	0.12
FY2024	16,12,07,00,000	1,62,08,06,00,000	0.10

Source: Secondary data



INTERPRETATION

the cash ratio trend from 2020 to 2024 and shows the company's ability to meet short-term obligations with cash and cash equivalents. The ratio was 0.24 for the fiscal year 2020. The cash ratio peaked in FY2021 at 0.33. After declining to 0.28 in FY2022 and 0.12 in FY2023, it reached a low of 0.10 in FY2024.

FINGINGS

- **Liquidity Ratios:** The current ratio remained over 1.0, peaking at 1.52 in FY2021. The Quick Ratio dropped below 1.0 in FY2023 before rising again. The cash ratio fell sharply from 0.33 in FY2021 to 0.10 in FY2024, indicating reduced immediate liquidity.
- **Operating cash flow** was negative in FY2023 (-0.21), robust in FY2021 (0.39), and only slightly better in FY2024 (0.07).
- **Coverage Ratios:** With negative values in FY2023, Free Cash Flow to Debt (0.34) and Cash Flow Coverage (0.38 in FY2024) remain low. The debt to cash flow ratio (2.60 in FY2024) illustrates repayment problems.
- **Balance Sheet Trends:** Despite a gradual increase in assets, inventory and receivables—which made up 57.12% of assets in FY2024—dominate and restrict liquidity. Cash fell from ₹3,289.54 crore in 2022 to ₹1,612.07 crore in 2024. Liabilities increased as a result of trade payables. Borrowings fluctuated and peaked.

SUGGESTIONS

- Despite being a significant asset, receivables (₹13,934.38 crore, or 57.12% of total assets) require cash. Redington should improve the Cash Ratio (goal above 0.2) by tightening lending conditions or providing early payment discounts to turn receivables into cash more quickly

- The Quick Ratio's decline and the growing percentage of inventories and receivables point to the need for improved working capital management.
- The low OCF Ratio (0.07) and declining OCF trajectory (estimated ₹-1,29,13.49 crore by 2025) draw attention to inefficiencies. Redington should lower operating costs and minimize supply chain costs in order to increase cash generation from core operations.
- Cash is provided by Positive Investing Activities (₹1,44,52.10 crore in 2024), however Redington should not rely too much on asset sales as this could impede long-term growth. To support future cash flows, instead concentrate on high-return investments.

CONCLUSION

Redington Limited's financial performance from FY2020 to FY2024 was uneven, with significant issues with liquidity and operating cash flow, according to this analysis of the company's cash flow management. The company maintained a consistent current ratio, indicating that it had sufficient current assets to cover its obligations. However, a declining Cash Ratio and a low Operating Cash Flow Ratio show a weakening ability to meet short-term obligations with cash because assets are primarily tied up in inventory and receivables. According to trend analysis, operating cash flow (OCF) is expected to decline to ₹-1,29,13.49 crore by 2025, suggesting a potential cash flow crisis. There is some relief due to positive developments in financing and investing activity (fewer negative outflows). The Cash Flow Coverage Ratio and Debt to Cash Flow Ratio demonstrate how challenging debt management.

To increase OCF, Redington needs to improve by reducing inventory, accelerating receivables collection, and improving operational effectiveness. Financial stability also depends on regulated financing inflows and strategic debt management. Redington can improve its cash flow situation, ensure long-term sustainability in the IT distribution industry, and promote job stability and economic growth by resolving these issues.

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