

# The Study on Cash Flow Analysis of Magnetic Meter System Limited

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**Abstract-** *This research investigates the cash flow performance and financial soundness of Magnetic Meter System Limited, a prominent manufacturer of magnetic and digital metering instruments. The objective of the study is to evaluate the company's liquidity status, the effectiveness of its cash management practices, and its capability to utilize available funds for sustaining operations and future growth. The analysis covers the financial years 2019–2024 and is based on secondary data obtained from published annual reports. Analytical tools such as comparative and common-size cash flow statements, along with key liquidity ratios, were employed for interpretation. The findings reveal noticeable fluctuations in operating cash flows and a gradual decline in liquidity over recent years, primarily due to increased investment activities and working capital constraints. Although the company remains profitable, the results emphasize the need for improved cash flow planning, monitoring, and control to maintain consistent liquidity and ensure long-term financial sustainability.*

**Keywords-** Cash Flow Analysis, Liquidity, Financial Performance, Operating Cash Flow, Cash Management.

## I. INTRODUCTION

In the current competitive business environment, efficient cash flow management is crucial for maintaining financial stability and ensuring the uninterrupted functioning of any enterprise. Cash flow analysis serves as an essential tool for evaluating the inflow and outflow of cash through various business activities operating, investing, and financing and provides a clear understanding of a firm's financial liquidity beyond its profitability figures.

For manufacturing companies such as Magnetic Meter System Limited, which operates in the field of energy metering and instrumentation, effective cash flow management is fundamental to sustaining production, financing innovation, and achieving market expansion. Sound cash flow practices not only enhance a company's operational efficiency but also contribute to better decision-making regarding investments and resource allocation.

This study focuses on analyzing the cash flow statements and financial data of Magnetic Meter System Limited to assess its liquidity performance and identify existing trends in its cash management. By examining the company's performance over the period 2019–2024, the research aims to provide insights into its short-term solvency, cash-generating capability, and financial sustainability. Ultimately, the study seeks to propose strategies to improve liquidity efficiency and support long-term growth.

## II. OBJECTIVES OF THE STUDY

The primary objective of this study is to assess the cash flow performance and liquidity position of Magnetic Meter System Limited over the financial years 2019–2024. The specific objectives are as follows:

- To evaluate the company's short-term liquidity position using the Current Ratio.
- To assess the firm's immediate solvency and cash adequacy through the Quick Ratio.
- To analyze the operational efficiency and cash-generating capacity of the company using the Operating Cash Flow Ratio (OCFR).

## III. REVIEW OF LITERATURE

### Cash Flow Analysis and Financial Health (R. Sharma & P. Das, 2025)

Sharma and Das (2025), in their study "Cash Flow Analysis as an Indicator of Financial Health" published in the International Journal of Business Research, emphasized that sustained positive operating cash flows serve as the strongest measure of a company's liquidity and solvency, reflecting its ability to fund operations without external assistance.

### Liquidity and Profitability Relationship (Anita Joseph & R. Subramanian, 2025)

Joseph and Subramanian (2025) explored the relationship between liquidity and profitability among

manufacturing firms. Their findings revealed that maintaining an optimal balance between current and quick ratios enhances operational efficiency while avoiding excess investment in working capital.

### **Liquidity Trends in the Indian Manufacturing Sector (Verghese & N. Kumar, 2024)**

Verghese and Kumar (2024) analyzed liquidity management practices across 20 Indian manufacturing firms. Their research concluded that companies maintaining a current ratio above 1.5 tend to possess stronger creditworthiness, whereas excessively high ratios may indicate underutilized funds.

### **Operating Cash Flow and Firm Value (M. Patel & K. Reddy, 2024)**

Patel and Reddy (2024), in their paper “Operating Cash Flow as a Determinant of Firm Value”, highlighted that a higher operating cash flow ratio indicates efficient management of core operations, directly contributing to improved firm valuation and investor confidence.

### **Cash Flow Management and Solvency (P. Singh & D. Rao, 2023)**

Singh and Rao (2023) examined the connection between cash flow management and corporate solvency, concluding that effective cash control minimizes liquidity risks and enhances a company’s ability to meet short-term obligations, particularly during financial downturns.

### **Comparative Analysis of Liquidity Indicators (J. Mehta & S. Kapoor, 2023)**

Mehta and Kapoor (2023) conducted a comparative study on liquidity indicators across FMCG and industrial sectors. Their findings suggested that liquidity management strategies vary significantly based on the nature of operations and the working capital cycle.

### **Cash Flow Ratios as a Measure of Performance (L. Chatterjee, 2022)**

Chatterjee (2022) evaluated the relevance of cash flow ratios as tools for performance assessment. The study found that operating cash flow ratios offer a more realistic reflection of liquidity compared to traditional current ratios.

### **Liquidity and Financial Stability (R. Iyer & B. Nandha, 2021)**

Iyer and Nandha (2021), in their study “Liquidity Management and Financial Stability of Indian Companies”, asserted that regular monitoring of liquidity ratios supports better financial stability and enhances investor confidence through improved transparency.

## **IV. RESEARCH METHODOLOGY**

### **Research Design:**

This study adopts a descriptive research design, as it aims to examine and interpret the cash flow performance of Magnetic Meter System Limited based on actual financial data. The descriptive approach helps in identifying patterns, strengths, and weaknesses in the company’s liquidity and cash management practices over time.

### **Data Collection:**

The study is entirely based on secondary data, which were collected from the company’s published financial statements, including balance sheets, cash flow statements, and annual reports for the financial years 2019–2024. These records provide reliable and authentic information necessary for the analysis of liquidity and operational efficiency.

### **Tools Used for Analysis of Data**

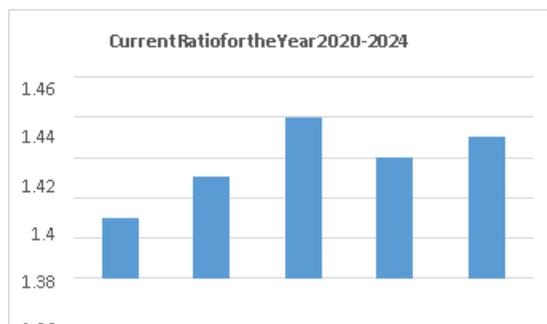
To evaluate the liquidity and cash flow performance of the company, the following financial tools and ratios have been applied:

- **Current Ratio** – to measure the company’s ability to meet short-term obligations using current assets.
- **Quick Ratio** – to assess immediate liquidity by excluding inventories from current assets.
- **Operating Cash Flow Ratio (OCFR)** – to evaluate how effectively operating cash inflows can cover short-term liabilities.

## **V. DATA ANALYSIS AND INTERPRETATION**

### **1. CURRENT RATIO OF MAGNETIC METER SYSTEM LIMITED (2020 – 2024)**

| Year      | Current Assets<br>(₹Lakhs) | Current Liabilities(₹<br>Lakhs) | Current Ratio |
|-----------|----------------------------|---------------------------------|---------------|
| 2019-2020 | 1203.59                    | 866.17                          | 1.39          |
| 2020-2021 | 1282.47                    | 906.35                          | 1.41          |
| 2021-2022 | 1421.73                    | 990.67                          | 1.44          |
| 2022-2023 | 1540.4                     | 1082.57                         | 1.42          |
| 2023-2024 | 1655.97                    | 115.41                          | 1.43          |



Source: secondary data

#### INTERPRETATION:

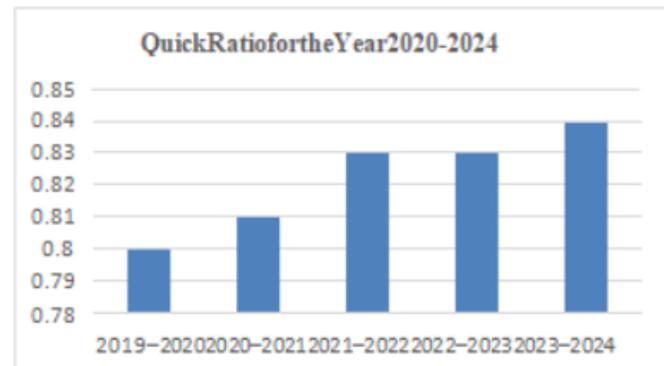
The current ratio reflects a company's capacity to meet short-term obligations using its current assets. A ratio exceeding 1 generally indicates a satisfactory liquidity position. Over the five-year period, Magnetic Meter System Limited maintained a relatively stable current ratio ranging between 1.39 and 1.44.

- In 2019–2020, the ratio of 1.39 suggested a comfortable liquidity condition.
- The ratio gradually improved to 1.44 in 2021–2022, reflecting efficient management of working capital.
- A slight decline in 2022–2023 (1.42) indicated mild pressure on liquidity, possibly due to higher short-term liabilities.
- The ratio recovered marginally in 2023–2024 (1.43), confirming consistent short-term solvency and prudent financial management.

#### 2. QUICK RATIO OF MAGNETIC METER SYSTEM LIMITED AS ON 2020-2024

| Year      | Current Assets<br>(₹Lakhs) | Inventories<br>(₹Lakhs) | Current Liabilities (₹<br>Lakhs) | Quick Ratio |
|-----------|----------------------------|-------------------------|----------------------------------|-------------|
| 2019-2020 | 1203.59                    | 512.34                  | 866.17                           | 0.8         |
| 2020-2021 | 1282.47                    | 548.92                  | 906.35                           | 0.81        |

|           |         |        |         |      |
|-----------|---------|--------|---------|------|
| 2021-2022 | 1421.73 | 602.14 | 990.67  | 0.83 |
| 2022-2023 | 1540.4  | 645.82 | 1082.57 | 0.83 |
| 2023-2024 | 1655.97 | 689.54 | 1155.41 | 0.84 |



SOURCE: secondary data

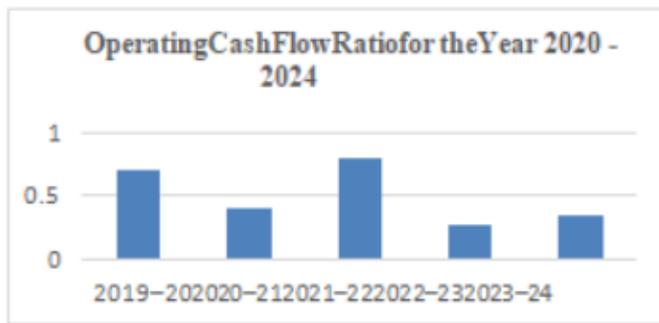
#### INTERPRETATION:

The quick ratio measures a firm's ability to meet short-term liabilities using its most liquid assets, excluding inventories. An ideal quick ratio is generally 1:1 or higher.

- In 2019–2020, the company recorded a quick ratio of 0.80, indicating that immediate liquidity was insufficient without depending on inventory.
- The ratio gradually improved to 0.83–0.84 by 2023–2024, reflecting moderate enhancement in cash and receivables management.
- Although below the ideal benchmark, the consistent upward trend shows progress toward improved liquidity efficiency.

#### 3. OPERATING CASH FLOW RATIO OF MAGNETIC METER SYSTEM LIMITED AS ON 2020 - 2024

| Year (FY) | Operating Cash Flow (₹<br>Cr) | Current Liabilities (₹<br>Cr) | OCFR (Times) |
|-----------|-------------------------------|-------------------------------|--------------|
| 2019-2020 | 45.99                         | 65                            | 0.71         |
| 2020-2021 | 21.79                         | 56                            | 0.39         |
| 2021-2022 | 49.53                         | 62                            | 0.8          |
| 2022-2023 | 18.23                         | 71                            | 0.26         |
| 2023-2024 | 20.44                         | 59                            | 0.35         |



SOURCE: secondary data

### INTERPRETATION:

The Operating Cash Flow Ratio (OCFR) measures a firm's capacity to cover its short-term liabilities using cash generated from operating activities. A ratio of 1 or above indicates strong liquidity.

- The ratio was 0.71 in 2019–2020, showing moderate reliance on external sources.
- It fell sharply to 0.39 in 2020–2021, implying weakened liquidity due to lower operational cash inflows.
- In 2021–2022, the ratio improved significantly to 0.80, demonstrating better operational cash generation.
- However, 2022–2023 recorded a steep decline to 0.26, revealing severe liquidity strain.
- The slight recovery in 2023–2024 (0.35) indicates partial improvement, though the firm still struggled to meet liabilities from internal cash flows.

## VI. FINDINGS

### 1. Current Ratio

The analysis revealed that Magnetic Meter System Limited maintained its current ratio above the benchmark of 1 throughout the study period, indicating a satisfactory level of short-term solvency. The ratio demonstrated minor fluctuations but remained stable overall, signifying that the company possessed adequate current assets to meet its short-term obligations. However, slight downward movements in later years reflected increased working capital pressure and the need for more efficient management of current liabilities.

### 2. Quick Ratio

The company's quick ratio remained below 1 in all the years under review, implying a dependency on inventory for meeting short-term obligations. This suggests that,

although the firm's liquidity position was stable, a substantial portion of its working capital was tied up in inventory, thereby reducing immediate liquidity strength.

### 3. Operating Cash Flow Ratio (OCFR)

The OCFR was consistently below 1 across all five years, indicating that operating cash flows were not sufficient to fully cover current liabilities. The ratio reached its peak at 0.80 in FY 2021–22 but fell drastically to 0.26 in FY 2022–23. This irregular trend points toward unstable cash generation from core operations, signifying a need for tighter cash flow management and improved efficiency in receivables collection and expense control.

## VII. SUGGESTION

1. The company should focus on strengthening its operating cash flow by enhancing profitability through cost optimization and efficient management of working capital components such as receivables, payables, and inventories.
2. To maintain a sound liquidity position, Magnetic Meter System Limited should adopt effective credit and collection policies, ensuring timely realization of dues from customers and thereby improving cash inflows.
3. Regular monitoring of key liquidity ratios and cash flow indicators should be institutionalized to identify financial discrepancies at an early stage and initiate corrective measures proactively.
4. The firm may consider revising its investment and financing policies to ensure that capital expenditures and other cash outflows are aligned with operational cash inflows, reducing dependency on external funding sources.

## VIII. CONCLUSION

The study concludes that Magnetic Meter System Limited has maintained consistent profitability but faces challenges in maintaining stable cash flows. The analysis shows that while the company's current ratio reflects satisfactory liquidity, the quick ratio and operating cash flow ratio indicate a need for improvement in short-term solvency and operational cash efficiency.

Fluctuations in cash inflows, coupled with substantial investment and working capital outflows, have placed pressure on the firm's liquidity. Therefore, effective cash flow planning, rigorous monitoring, and enhanced receivables management are essential for strengthening financial stability.

By adopting prudent cash management policies and improving cash conversion efficiency, the company can achieve long-term financial sustainability, ensure uninterrupted operations, and enhance stakeholder confidence in its financial performance.

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