

**ANALYZING THE FUNDS FLOW STATEMENT OF HERO MOTORS: A
FINANCIAL PERSPECTIVE**

¹MS. A. Jyothsna, ²Memuganti Shivani

¹Assistant Professor, Department of MBA, J.B. Institute Of Engineering & Technology
(Autonomous), Hyderabad.

²PG Student, Department of MBA, J.B. Institute Of Engineering & Technology
(Autonomous), Hyderabad.

ABSTRACT: This research looks at Hero Motors' cash flow statement to find out how well the company runs and how stable its finances are. This research really looks at the group's budget and how it spends its money. It also shows important areas of cash coming in and going out, which shows how well the company can fund growth, handle working capital, and pay off debt. The analysis gives a full picture of managing cash flow and long-term financial stability, which helps everyone involved make smart decisions. This financial view shows that strategically allocating funds is important for keeping up a high level of performance.

Keywords: Funds Flow Statement, Financial Analysis, Liquidity, Cash Inflow, Cash Outflow, Financial Sustainability, Operational Efficiency.

1. INTRODUCTION

Funds flow statement is a two-year analysis of a company's balance sheet that verifies the smooth transfer of funds from one fiscal year to another. It examines the impact on the company's working capital of the monetary inflows and outflows that occurred throughout the applicable accounting period. This suggests that it is a crucial component that reveals the distribution of funds. Experts in the field of financial analysis can use this statement to examine the projected cash flow of a company.

Due to its focus on the flow of funds and their subsequent uses, this document is also known as the Statement of Sources and Application of Funds. After these statements are completed, it is usual to conduct a cash flow analysis. It is a monetary figure that aids a business in monitoring its funds and making more informed spending decisions.

Financial statements such as the income statement, balance sheet, and profit and

loss account reveal the interconnected ways in which a business's various activities impact its monetary and operational health. The assets and liabilities of a company are detailed on the balance sheet, which is prepared at the end of each accounting period. Many of a company's actions deviate from the profit-and-loss principle. To show the change in assets and debts from the end of one period to the end of the next, a new statement is required. The term "statement of changes in financial condition" or "funds flow statement" can describe this document. A financial report that shows how money moved through a business is the Funds Flow Statement, as shown in the example. The statement discusses the origins and purposes of money.

Uses Aof Funds Flow Statement:

The benefits and key uses of a fund flow statement are discussed here.

USES OF FUND FLOW STATEMENT



1. Strategic planning: The statement contains crucial details regarding the distribution of funds among various projects. Management can use the data to check if the company's objectives and financial plan are congruent.

2. Investor decision-making: This term helps investors gauge a company's growth potential and financial stability. A company's ability to generate profits and pay its bills is revealed to investors by examining its cash flow.

3. Creditworthiness assessment: By examining the sources and destinations of a company's funds, creditors can ascertain its ability to pay its bills.

4. Risk management: Individuals can use the statement as a guide to identify potential financial risks and take steps to mitigate them. Consequently, this aids organizations in better handling challenges and uncertainties.

5. Budgetary planning: The fund flow statement provides a detailed view of the anticipated inflow and outflow of funds, which businesses utilize for budgeting and financial planning.

2. REVIEW OF LITERATURE

Emily Zhang (2024) To managing money, the capital flow statement is a crucial tool for individuals and businesses alike. It

provides a comprehensive breakdown of all monetary transactions that take place throughout the course of operational, investment, and financing operations. You can see the incoming and outgoing cash flows in the money flow statement. The income statement and balance sheet merely reveal the company's profitability and general financial health; this is distinct from that. This is why it is a crucial instrument for assessing the financial flexibility and liquidity of a business. The management team can improve their investment and spending decisions by tracking the money coming in and going out. If you want to know how a company handles its working capital, look no further than its money flow statement. A company's growth funding strategy, including the use of retained earnings, debt, or personal funds, is detailed in the statement.

Linda Carter (2024) If you want to make sure that your company's plans and finances are in harmony, you should look at its fund flow statement. Companies can learn a lot about their financial management practices by tracking the money coming in and going out. This statement is crucial for sound strategic decision-making as it details the process of raising capital and allocating resources for development, capital projects, and debt management. The cash flow statement is a useful tool for businesses in determining their financial stability and growth potential. This might indicate that the firm is overly dependent on debt or that it requires additional inventory. Because it shows how much money the company makes from its operations, the cash flow statement is useful for managing working



capital efficiently. For the purpose of strategic financial planning, this information is crucial in determining whether future investments will be financed internally or by seeking funding from external sources.

James Thompson (2024) An in-depth familiarity with the Fund Flow Statement is necessary for making prudent investment decisions. It specifies in great detail the sources and uses of a business's funds. Investors can learn more about the company's debt management, capital expenditures, and operational expenses from this statement. Here you can see the flow of funds entering and leaving the company. Funds are brought in through sales revenue, financing activities, and the sale of assets. Funds are dispersed to cover expenses such as taxes, dividends, and loan repayments. After looking into the company thoroughly, it is evident that they can make money and keep their finances in order. The statement provides valuable insight into the liquidity and working capital management practices of the company. The goal of investors is to find companies that can raise money, put it to good use, and then some. Investors may get a better idea of a company's profitability and investment strategies by tracking its cash flow over a lengthy time frame.

George Bennett (2024) Although they serve distinct purposes in financial analysis, the cash flow statement and the fund flow statement both reveal the movement of funds from one location to another. Cash flow statements provide a comprehensive view of liquidity by centering on cash entering and leaving the business. It diagrams the flow of money

into and out of various company operations. You can see the evolution of the company's finances in the money flow statement as well. All aspects of raising capital, investing, and managing a company fall under this category. One key distinction between the two statements is that fund flow considers financial stability and other long-term issues, whereas cash flow focuses on liquidity and other short-term concerns. A company's ability to pay for potential expansion can be better understood with the use of a fund flow statement.

Kate Mitchell (2024) Startups can learn a lot about their cash inflow and outflow in the early phases of growth from the Fund Flow Statement, a crucial financial tool. In order to monitor the expenditure on operations, product development, and market expansion, founders and investors rely on the fund flow statement. This is of utmost importance for companies that rely on loans and equity investments for funding. Startups can maximize their resources and avoid liquidity issues by carefully monitoring their incoming funds. To facilitate the acquisition of further capital, the statement details the expenditure of prior investments and assesses the degree to which the business has achieved its financial objectives.

Christopher Evans (2024) To comprehend the movement of funds within a multinational corporation having international operations, one must peruse the Fund Flow Statement. It details the global organization's financial processes and how those funds are distributed among its many divisions and branches. When companies optimize their capital flow, they take into consideration tax



regulations, fluctuations in currency exchange rates, and strategies for international investment, among other factors. This aids MNCs in monitoring their investments in foreign markets and determining whether the returns are sufficient. In addition to safeguarding cross-border liquidity and maintaining financial stability, it allows you to assess the efficacy of your foreign cash flow management and reinvested business earnings. A variety of international financing options, including equity capital raises and foreign loans, are detailed in the statement. In order to mitigate financial risks and seize growth opportunities in global markets, large companies with global operations must have a thorough understanding of capital flows.

John Matthews (2023) A cash flow statement tracks the monetary inflow and outflow of an organization over a specified time frame. It sheds light on the origins and destinations of money, which is useful for managers, analysts, and investors in comprehending its movement. The statement supplements the balance sheet by detailing cash inflows and outflows, in addition to showing profits or losses. It shows the cash inflow from financing activities, investment projects, and day-to-day operations, which provides information about liquidity. Companies could learn about their propensity to make future payments or investments by analyzing this statement. Management relies on it heavily when trying to estimate their working capital requirements.

David Johnson (2023) An integral aspect of prudent financial planning for the future is the fund flow statement. It lays out the monetary resources, such as the sources

and methods of their acquisition, in chronological order. Making money is the focus of the income statement, whereas cash on hand is the focus of the money flow statement. This distinction is particularly useful for companies in sectors where prudent management of working capital and large investments are essential. One way for a business to anticipate its financial needs is to do a detailed analysis. It sheds light on the long-term viability of the company's investments and finances as well as the efficiency of its operational profitability. An essential tool for managing cash flow, the statement shows the company's potential issues.

Mark Anderson (2023) Over a given time frame, the cash flow statement details the inflow and outflow of cash. When trying to assess the financial well-being of a business, it is an essential tool. It clarifies the distinction between investing, financing, and managing a company, which aids in comprehending financial flows. In contrast to the balance sheet, which details the assets and liabilities of an organization, the money flow statement details the sources and uses of funds. Company longevity, operational efficiency, and liquidity can all be better understood by analyzing these trends. Insights like these help financial managers plan for the future and keep the lights on for the present. This statement can also help you spot potential cash flow issues before they escalate. Investors can see if a company can pay its bills on time with the help of the cash flow statement, which is a useful tool for making investment decisions. Through better management of working capital and maximizing cash



flow, it resolves issues related to insufficient funds.

Natalie Harris (2023) Predicting the future of a company requires an understanding of its cash inflows and outflows, which are revealed by fund flow statements. Accurately tracking a company's cash inflows and outflows allows for better forecasting of future cash flows and funding requirements. In order to determine if you will experience a surplus or deficit in liquidity, this statement is a crucial component of budgeting and financial planning. Businesses can estimate their future cash on hand for investments or debts by analyzing funding sources such as operational operations, loans, or stock. With the aid of the fund flow statement, companies can budget their capital expenditures in a way that allows them to grow while still covering their operational expenses. It is useful for making long-term plans, such as deciding to invest in growth with retained earnings or to seek out additional funding.

Jennifer Lee (2023) An essential tool for enhancing a company's performance is the Fund Flow Statement, which details the expenditure of money on various business activities. A comprehensive overview of a company's profitability and fiscal management skills can be found in its financial report. Observing the sources and destinations of funds allows managers to identify areas where staff are failing to meet expectations or where excessive expenditure is occurring. In the long term, this improves financial outcomes by making optimal use of resources. For instance, companies can monitor the health of their debt levels and the return on investment (ROI) from capital

investments. The phrase highlights the importance of seeking external funding rather than asking if the company's current income can sustain growth.

William Turner (2023) One of the most useful ways to evaluate a business is by looking at its Fund Flow Statement, which details all of the money coming in and going out of the company. In order for analysts to determine the company's profitability and its ability to fund growth or new projects, this statement is necessary. The results show whether the business can stay afloat on its current cash flow or if it has to seek funding from other places. In order to determine a company's worth, financial analysts consider its liquidity, capital structure, and financial flexibility. analysis of the money coming in and going out. Along with income statements and balance sheets, this statement is commonly utilized in the valuation process. With its help, analysts can assess the company's growth prospects, risks, and profitability, all of which have an impact on the company's market value.

Sarah Williams (2022) Financial managers should have access to fund flow statements as they provide a detailed accounting of a company's cash inflows and outflows. You can learn a lot about the company's health from the fund flow statement, which displays cash flows rather than income statements' profits and losses. It provides insight into a company's liquidity and the evolution of its working capital. In order to plan for future cash needs and allocate sufficient funds for both capital expenditures and continuing operations, financial managers refer to this statement. Also, by outlining the



anticipated income and expenditure, it facilitates budgeting.

Robert Green (2022) A vital tool for decision-making in business is the capital flow statement. These records detail a company's financial dealings, illuminating the processes involved in raising and disbursing capital. The CEO has a bird's eye view of the company's financial health. The revenue generated from asset sales, external funding, and operational expenses is detailed in the income statement. It also tracks monetary transactions like making purchases, investing, and paying off debt. Data on cash inflow and outflow allows executives to make informed decisions regarding investment strategy and financial planning. The cash flow statement is useful for proactive financial management because it can foretell when cash flow issues may arise. In order to keep operations running smoothly in the event of a cash flow shortfall, it is crucial to maintain tabs on working capital. Lenders and investors frequently review this claim to assess the robustness of a company's financial model.

3. TO PREPARE FUND FLOW STATEMENT

The steps to create a funds flow statement are as follows:

Step 1: Quickly create a plan for changing working capital. Keep an eye on the changes to the current liabilities and assets. Your net change in working capital is the result of dividing your net current liabilities by your net current assets.

Increase in Working Capital: Working capital increases when capital expenditures exceed available long-term funds. The company can use the funds to cover its

working capital requirements, which is a major reason for this. Distributions may take the form of dividends or short-term loans. This will lead to a rise in working capital as shown in the "Application of Funds" section of the Funds Flow Statement.

Decrease in Working Capital: The company doesn't have many options for long-term financing, even though it might use some additional capital. In such a case, the company will make use of its current assets as working capital. Less money is available for working capital as a result of this. The Funds Flow Statement's "Source of Funds" section will thus reveal a reduction in working capital.

Step 2

To determine the company's financial success, create an adjusted profit and loss statement. The term "operating income" is used here instead of "investment and financing income," which includes both the money the company earns and spends. The company's yearly net profit is adjusted in the following ways. Here, they recoup expenses that do not directly translate into cash, such as depreciation and amortization. They deduct the earnings from the sale of investments and fixed assets to get the precise amount of money that came in from operating the business.

Step 3

Know the origins (inflows) and destinations (outflows) of the money for the fund flow statement to be comprehensive. If you want to create a fund flow statement, you'll need to know the sources and destinations of the money, as well as if the amounts shown on the balance sheet are increasing or decreasing. Consider if operational funds and working

capital have grown or shrunk net in order to complete the statement.

Sources of funds:

The term "sources of funds" describes the following:

Issue of shares and debentures: The sole exception to this rule is the distribution of debentures or shares. Convertible debentures do not qualify as a bonus in the absence of cash flow.

Long-term loans: All discussion of borrowing and long-term loans is limited to this section. This is due to the fact that working capital statements now include short-term loans.

Sale of fixed assets: Amount paid in full by purchaser of the fixed asset.

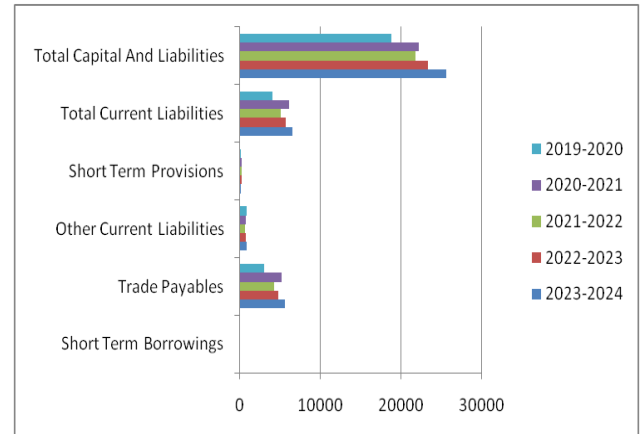
Funds from operations: The amount of money the company makes from its regular operations is relevant here. The statement detailing the operational funds from the prior stage works it out.

Decrease in working capital: Not only will this be the number that balances the fund flow statement, but it will also match the amount shown in the changes to the working capital statement.

4. RESULTS AND DISCUSSION

CURRENT LIABILITIES

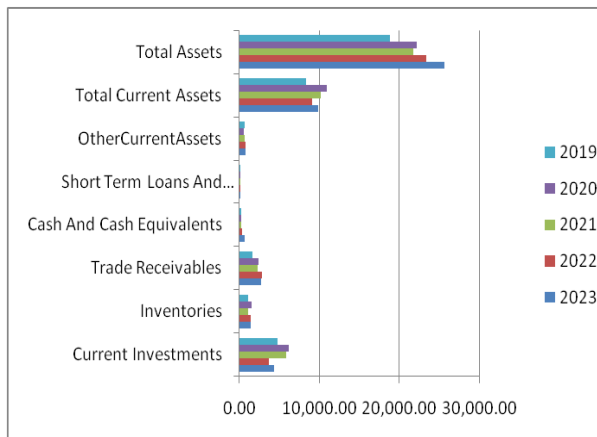
CURRENT LIABILITIES	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Short Term Borrowings	0	0	0	0	0
Trade Payables	5,528.15	4,704.46	4,260.34	5,204.61	3,030.
Other Current Liabilities	861.97	743.83	651.62	745.24	798.9
Short Term Provisions	154.14	175.69	160.42	160.37	146.5
Total Current Liabilities	6,544.26	5,623.98	5,072.38	6,110.22	3,976.
Total Capital And Liabilities	25,571.55	23,263.14	21,714.02	22,161.05	18,749



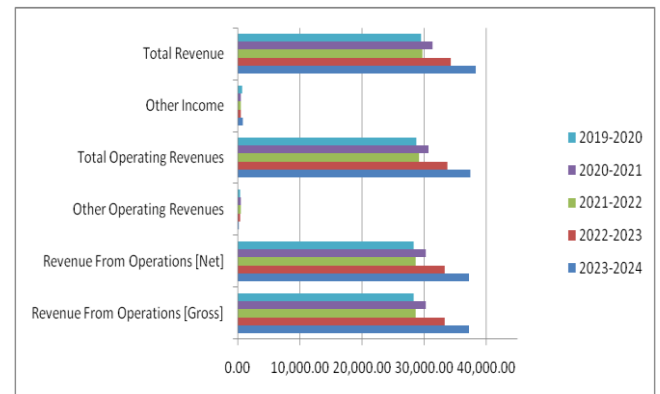
INTERPRETATION: In the fiscal year 2023–2024, Heromotors' current liabilities increased from ₹3,976.06 crores to ₹6,544.26 crores. The rise in trade payables was the primary factor here. It is clear that there has been an effort to keep the company afloat without taking out any short-term loans.

CURRENT ASSETS

CURRENT ASSETS	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Current Investments	4,274.52	3,637.88	5,837.66	6,191.49	4,694.48
Inventories	1,443.76	1,434.09	1,122.65	1,469.55	1,091.97
Trade Receivables	2,703.44	2,798.21	2,304.27	2,426.76	1,603.14
Cash And Cash Equivalents	608.93	345.5	175.12	257.15	241.86
Short Term Loans And Advances	24.56	23.71	22.81	36.94	22.36
Other Current Assets	740.81	797.4	652.45	570.9	634.75
Total Current Assets	9,796.02	9,036.79	10,114.96	10,952.79	8,288.56
Total Assets	25,571.55	23,263.14	21,714.02	22,161.05	18,749.33



INTERPRETATION: In the fiscal year 2023–2024, Heromotors' total current assets increased from ₹8,288.56 crores to ₹9,796.02 crores. Despite changes to categories such as current investments and trade receivables, the company still has a substantial amount of cash on hand. The improvement in cash management, as evidenced by the increase in cash and cash equivalents, allows for more operational flexibility and more stable short-term finances.



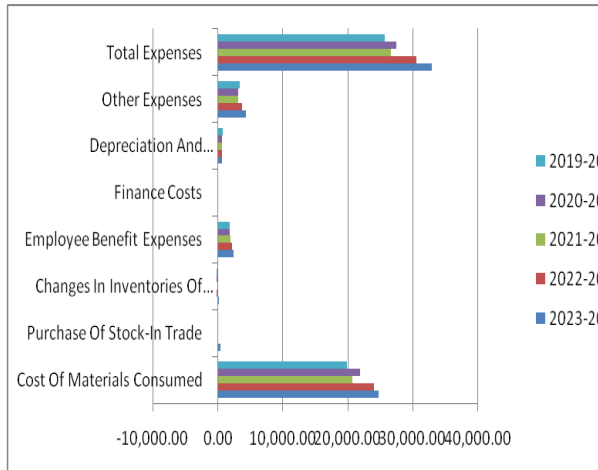
INTERPRETATION: In the fiscal year 2023–2024, Heromotors generated ₹38,348.27 crores, an increase from ₹29,614.43 crores in the previous year. This was due to the significant increase in operating income. Gross and net operating revenues increased, which is a sign of market success and efficient business management, even though other operating revenues fell.

EXPENDITURE

EXPENSES	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Cost Of Materials Consumed	24,767.46	24,019.73	20,708.07	21,875.33	19,867.19
Purchase Of Stock-In Trade	484.2	47.43	45.95	30.46	0
Changes In Inventories Of FG,WIP And Stock-In Trade	179.11	-209.04	72.71	-143.46	-169.78
Employee Benefit Expenses	2,402.34	2,189.83	1,935.44	1,898.72	1,841.70
Finance Costs	18.5	19.87	25.8	21.84	22.02
Depreciation And Amortisation Expenses	711.41	656.96	649.75	676.87	817.96
Other Expenses	4,366.90	3,771.47	3,114.53	3,120.33	3,339.02
Total Expenses	32,929.92	30,496.25	26,552.25	27,480.09	25,718.11

INCOME

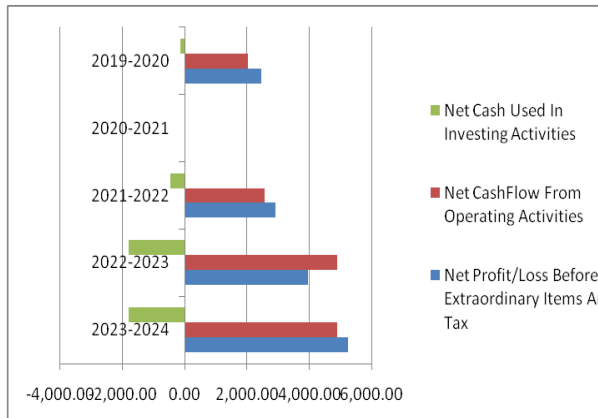
INCOME	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Revenue From Operations [Gross]	37,290.12	33,406.21	28,687.74	30,303.53	28,408
Revenue From Operations [Net]	37,290.12	33,406.21	28,687.74	30,303.53	28,408
Other Operating Revenues	165.6	399.44	557.73	497.09	427.6
Total Operating Revenues	37,455.72	33,805.65	29,245.47	30,800.62	28,836
Other Income	892.55	565.16	556.91	579.85	778.3
Total Revenue	38,348.27	34,370.81	29,802.38	31,380.47	29,614



INTERPRETATION: From the 2019-2020 fiscal year to the 2023-2024 fiscal year, Heromotors' total costs increased significantly, rising from ₹25,718.11 crores to ₹32,929.92 crores. Raised wages and improved worker benefits are largely responsible for this increase. Despite rising expenses and operational demands, the company has a strategy to maintain profitability through astute cost management, particularly in the areas of finance and depreciation.

Cash Flow

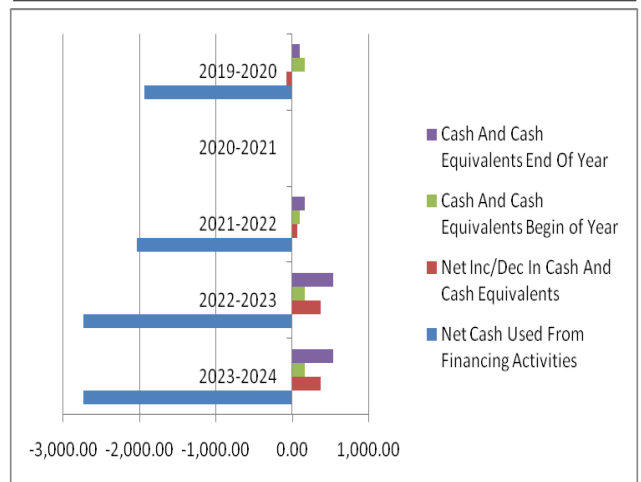
Cash Flow	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Net Profit/Loss Before Extraordinary Items And Tax	5,258.36	3,967.96	2,910.58	0	2,47.00
Net CashFlow From Operating Activities	4,906.53	4,906.53	2,579.08	0	2,021.00
Net Cash Used In Investing Activities	1,801.88	1,801.88	-468.81	0	-151.00



INTERPRETATION: In comparison to prior years, Heromotors' net profit for the fiscal year 2023–2024 was ₹5,258.36 crores. Investments amounting to ₹-1,801.88 crores demonstrate that investments are still being made for the purpose of future growth and development. Meanwhile, operational cash flow remained robust at ₹4,906.53 crores.

Cash Flow

Cash Flow	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Net Cash Used From Financing Activities	-2,733.13	-2,733.13	-2,040.58	0	-1,938.87
Net Inc/Dec In Cash And Cash Equivalents	371.52	371.52	69.69	0	-70.54
Cash And Cash Equivalents Begin of Year	168.37	168.37	98.68	0	169.22
Cash And Cash Equivalents End Of Year	539.89	539.89	168.37	0	98.68



INTERPRETATION: For the fiscal year 2023–2024, Heromotors lost ₹-2,733.13 crores due to their financing activities. This indicates that the firm's debt and equity financing were lower. Having increased from ₹168.37 crores at the start of the year to ₹539.89 crores, the net rise in cash and cash equivalents indicates that the company is prepared to make investments. With this upgrade, both operational efficiency and liquidity have been enhanced.

5. CONCLUSION

Learn a lot about Hero Motors' financial management by perusing its funds flow statement, which details the company's revenue and expenditures. The research reveals the efficiency with which the firm manages its working capital, maintains a sufficient cash reserve, and fosters expansion over the long term. Improving resource utilization to reduce waste is one example of an area that needs improvement highlighted. Everyone can see the big picture now regarding the company's financial situation, which will aid in future decision-making for improved performance and stability.

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