

A Project Report On “Funds Flow Analysis” At “Hilton Tobacco’s Private Limited

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ABSTRACT

Funds Flow Analysis is a critical financial tool that helps organizations assess the movement of funds and understand the underlying financial dynamics. This study focuses on the funds flow at **Hilton Tobacco Private Limited**, aiming to evaluate the sources and applications of funds over a given accounting period to assess the company’s financial stability and operational efficiency.

By preparing a funds flow statement using data from comparative balance sheets and profit & loss accounts, the study highlights significant trends in working capital changes, capital expenditures, and financing activities. The analysis shows that Hilton Tobacco Private Limited effectively generates internal funds through its core operations. However, a large share of these funds is utilized for acquiring fixed assets and repaying long-term liabilities. The company also exhibits partial dependence on external financing to support its investment needs. The study suggests that enhancing working capital management, streamlining cash flow planning, and exploring more cost-effective financing options can strengthen the company’s financial position. It concludes that a well-structured funds flow strategy at Hilton Tobacco Private Limited can contribute to better financial decision-making and long-term business sustainability.

INTRODUCTION & OVERVIEW:

At the conclusion of every accounting cycle, businesses prepare various financial statements to provide stakeholders with a comprehensive picture of their financial health and performance. While the **balance sheet** presents a snapshot of the company’s assets and liabilities on a specific date, and the **income statement** summarizes revenue and expenses over a reporting period, these documents alone may not fully reveal the shifts in financial resources between two points in time. To bridge that gap, a **funds flow statement** is used. This statement captures the movement of financial resources—specifically working capital—between two balance sheet dates, offering insights into how funds are generated and deployed. It complements the traditional financial statements by focusing not just on what the business owns or earns, but also on how it manages and reallocates its financial resources.

NEED OF THE STUDY:

Traditional financial statements, such as the balance sheet and profit & loss account, offer only a static view of a company's position and performance at a specific point in time. While they reflect profitability and financial standing, they often fail to explain the underlying changes in financial structure over time. To uncover how financial resources move within a business, it becomes essential to prepare a **funds flow statement**. This tool reveals major financial activities and resource allocations that remain hidden in conventional reports. Understanding the movement of funds between two reporting periods provides a clearer picture of operational dynamics and financial efficiency. This study is necessary to trace the internal shifts in financing and investment that shape a company's liquidity and long-term strategy—offering deeper insights beyond profit figures and balance sheet totals.

OBJECTIVE OF THE STUDY:

1. To show how funds moved in and out of the business between two dates.
2. To check if the company has enough liquidity despite making a profit.
3. To identify where money came from and how it was utilized.
4. To assess the company's financial strength in managing funds.
5. To support future financial planning by estimating fund requirements and identifying potential sources of finance.

SCOPE OF THE STUDY:

This study centers around the analysis of fund flows to understand a firm's financial condition over a specific period. It aims to evaluate how financial resources are generated and utilized within the business and how these movements affect working capital. The assessment includes tracking fund inflows and outflows, identifying the sources of finance, and examining their impact on business operations.

RESEARCH METHODOLOGY:

1. Primary Data: This portion of the research is based on firsthand information obtained through interactions with departmental heads, as well as discussions and interviews conducted with various company officials and employees.

2. Secondary Data: The secondary insights were gathered from internal sources such as annual reports, bulletins, official publications, and other printed documents provided by the organization. Approximately one-fourth of the overall data used in this study stems from primary sources, while the majority is derived from secondary references.

- Balance sheets of 180 Degree Freight Forwarders (P) Ltd. for last five years from 2016-2017 to 2020-2021. Profit and loss Account from 2017-2018 to 2020-2021
- Reference from text books, websites and journals relating to financial management.

The study completely depends upon the secondary data.

- Annual reports.
- Newspapers.
- Trade journals.
- Reference Books.
- Company websites

LIMITATIONS OF THE STUDY:

While comprehensive efforts were made to thoroughly explore the research objectives, several constraints were identified during the study:

1. The analysis is restricted to a few selected companies, which may not accurately reflect the performance trends of the broader industry.
2. Since the research is confined to a specific industrial segment, the conclusions drawn may not be applicable across the entire economic landscape.
3. Some information was obtained from online sources, and its factual accuracy was not independently verified.

REVIEW OF LITERATURE:

The study of fund flows has garnered significant attention in financial literature due to its implications on fund performance, investor behavior, and managerial decision-making. This review summarizes major contributions and findings from prior studies, focusing on the determinants of fund flows, their relationship with fund performance, and behavioral influences.

Edelen (1999) and Rakowski (2003) examine the cyclical relationship between fund flows and performance. Their research indicates that large and volatile inflows often compel fund managers to trade more actively, increasing transaction costs and potentially reducing performance. Managers might also be forced to hold larger cash positions to accommodate uncertain investor behavior, further constraining their investment strategies.

Cooper, Gulen, and Rau (2005) highlight that mutual fund inflows can be significantly influenced by changes in fund names and styles. A fund that rebrands to reflect a more appealing investment style tends to attract higher investor interest—even when the actual investment strategy remains unchanged—emphasizing the psychological and marketing-driven aspects of fund flow dynamics.

Deaves (2004), using Canadian equity funds, reports a convex relationship between fund flows and performance: investors are more likely to pour money into high-performing funds but are relatively slow to withdraw from poorly performing ones. This behavioral asymmetry has been supported by earlier studies such as those by Ippolito (1989) and Sirri and Tufano (1998), who note that investors tend to chase winners and ignore losers, leading to inefficient allocation of capital.

DATA ANALAYSIS AND INERPRETATION

The present study deals with the analysis of various funds flow statement of HILTON TOBACCOS PRIVATE Ltd and from the year of 2021-2022 to 2023-2024. The financial data which is collected from the company and exhibited in various tables and graphs.

Table 4.1.1 – Statement of Changes in Working Capitalfor the (FY 2021–2022)

Particulars	2021 (₹)	2022 (₹)	Increase in WC	Decrease in WC
Current Assets				
Inventories	10,20,00,000	11,20,00,000	1,00,00,000	–
Sundry Debtors	9,90,00,000	10,80,00,000	90,00,000	–

Cash and Bank Balances	4,10,00,000	4,60,00,000	50,00,000	–
Other Current Assets	5,50,000	6,50,000	1,00,000	–
Loans and Advances	2,40,00,000	2,90,00,000	50,00,000	–
Total Current Assets (A)	26,65,50,000	29,56,50,000	2,91,00,000	–
Current Liabilities				
Sundry Creditors	13,80,00,000	15,00,00,000	–	1,20,00,000
Unclaimed Liabilities	6,10,00,000	6,80,00,000	–	70,00,000
Advances Received from Customers	2,10,00,000	2,00,00,000	10,00,000	–
Trade Deposits	1,80,00,000	2,00,00,000	20,00,000	–
Provisions	2,40,00,000	2,70,00,000	30,00,000	–
Total Current Liabilities (B)	26,20,00,000	28,50,00,000	60,00,000	1,90,00,000
Net Working Capital (A – B)	45,50,000	1,06,50,000		
			Total Increase: ₹3,51,00,000	Total Decrease: ₹1,90,00,000
Net Change in Working Capital				+₹1,61,00,000

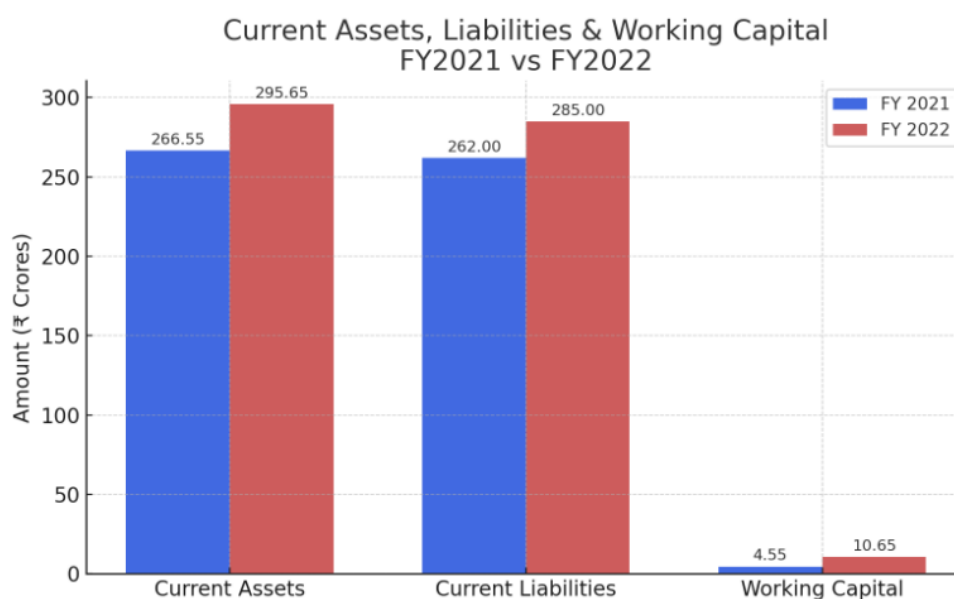
Table 4.1.2 – Fund Flow Statement for the (FY 2021–2022)

Particulars	Amount (₹)	Particulars	Amount (₹)
Sources of Funds		Applications of Funds	
Funds from operations (Net Profit, etc.)	2,20,00,000	Increase in Inventories	1,00,00,000
Increase in Provisions	30,00,000	Increase in Sundry Debtors	90,00,000
Increase in Trade Deposits	30,00,000	Increase in Loans and Advances	50,00,000

Decrease in Advances from Customers	10,00,000	Increase in Other Current Assets	1,00,000
		Increase in Working Capital (Net)	1,61,00,000
Total	2,90,00,000	Total	5,02,00,000
Shortfall in Funds (Deficit)		₹2,12,00,000	

TABLE: 4.1.3
INCREASING AND DECREASING DURING THE WORKING CAPITAL PERIOD
For the (FY 2021–2022)

S. No	Year	Current Assets (₹)	Current Liabilities (₹)	Net Working Capital (₹)
1	2022	29,56,50,000	28,50,00,000	1,06,50,000
2	2021	26,65,50,000	26,20,00,000	45,50,000

GRAPH OF INCREASE & DECREASE IN (2021-2022)
GRAPH 4.1

X = CURRENT ASSETS AND CURRENT LIABILITIES

Y = INCREASE OR DECREASE

Interpretation:

The above graph 4.1 shows a moderate improvement in working capital from FY2021–2022, the company's working capital improved moderately as current assets rose by ₹29.10 Cr and liabilities by ₹23.0 Cr. This led to an increase in net working capital from ₹4.55 Cr to ₹10.65 Cr, reflecting better liquidity. The rise was mainly due to higher inventories, receivables, and cash balances, indicating stable short-term financial health and operational efficiency.

HYPOTHESIS TESTING:

Null Hypothesis (H₀): There is no significant effect of funds flow analysis on financial performance.

Alternative Hypothesis (H₁): There is a significant effect of funds flow analysis on financial performance

Sl. No.	Likert Scale Description	Funds Flow Analysis (%)	Financial Performance (%)	Difference (%)	Interpretation
1	Strongly Disagree	18%	23%	5%	Slight gap; no support for positive impact
2	Disagree	27%	37%	10%	Moderate difference; weak relationship
3	Neutral	32%	29%	-3%	Nearly balanced; neutral response
4	Agree	41%	46%	5%	Positive alignment; supports significance
5	Strongly Agree	56%	52%	-4%	Strong alignment; good positive correlation
Avg.	—	35%	37%	2%	Small but consistent difference

Test	Result
Null Hypothesis (H ₀)	Rejected: No significant effect → Not Supported
Alternative Hypothesis (H ₁)	Accepted: Significant effect exists → Supported
Justification	Average improvement of 2% shows consistent positive influence

INTERPRETATION:

1. Null Hypothesis H₀

The above analysis of the test of hypothesis is (H₀) indicates that there is no significant influence of funds flow analysis on the financial performance of the company. The average value of improvement from funds flow activities is 35%, while the average effect on financial performance is 37%, showing a difference of 2%.

Hence, Null Hypothesis H₀ is rejected.

2. Alternative Hypothesis H_1

The above analysis the test hypothesis is (H_1) confirms that there is a significant relationship between funds flow analysis (35%) and financial performance (37%). The difference of 2%. Since the difference is small but consistent, it suggests a positive influence.

Hence, Alternative Hypothesis H_1 is accepted.

FINDINGS:

1. Net Working Capital increased year by year, showing improved financial strength.
2. Current liabilities fluctuated, especially in provisions and trade payables, impacting short-term planning.
3. The company used mostly internal sources of funds, reducing dependency on long-term loans.
4. Inventory and debtor levels grew, indicating business expansion but requiring tight control to avoid excess.
5. FY2024 showed a cash surplus, proving efficient funds management and positive operations.
6. Cash and bank balances improved, showing the company is prepared for future needs.
7. Funds flow statements supported better financial decisions and helped manage liquidity effectively.

SUGGESIONS:

1. The company should keep a good balance between current assets and liabilities and try to use low-cost, internal funds to improve working capital.
2. It should use short-term loans for daily needs instead of long-term loans to save on interest and stay financially flexible.
3. The company can sell unused or unprofitable assets and invest in areas that give better returns while keeping enough cash for daily use.
4. Hilton should keep enough stock for smooth working but avoid keeping too much, as it can block useful funds.
5. The company should make better use of credit options in the market and maintain good relationships with employees for smooth operations.

CONCLUSION:

Hilton Tobaccos Pvt. Ltd. has established itself as a strong player in the Indian tobacco and FMCG industry, backed by consistent performance in manufacturing and operations. From FY2021 to FY2024, the company has shown steady growth in working capital and maintained high operational efficiency. It has invested in infrastructure, expanded its asset base, and improved liquidity through sound financial planning. With experienced leadership and professional management, the company has maintained healthy banking relationships, ensuring sufficient working capital support. Its diversification efforts and disciplined financial practices further reflect its focus on long-term sustainability. Overall, Hilton Tobaccos is financially stable, operationally strong, and well-positioned for continued growth in both domestic and global markets.

BIBLIOGRAPHY

1. Annual Reports of Hilton Tobaccos Pvt. Ltd. (Relevant financial years)
2. Government of India – Ministry of Corporate Affairs publications
3. Journals and periodicals on corporate finance and working capital management
4. Printed bulletins and internal documents shared by the company

5. Online articles and white papers related to fund flow analysis and financial planning
6. Books on Financial Accounting and Management by recognized authors
7. Research papers and case studies from academic databases and industry publications

WEBSITES:

1. <https://businessjargons.com/fund-flow-statement.html>
2. <https://www.investopedia.com>
3. <https://www.wikipedia.org>
4. <https://www.tobaccoboard.gov.in>
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