

A COMPARATIVE STUDY OF CASH FLOW STATEMENT OF TATA POWER LIMITED AND RELIANCE POWER LIMITED

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Abstract

The cash flow statement is a crucial part of a company's financial statement. It gives information about company's cash inflows and cash outflows. The researcher has made research work to analyze the cash flows from operating, investing and financing activities for a recent five year period. The researcher has selected Tata Power Limited and Reliance Power Limited based on judgemental sampling method. Statistical tools have been applied by the researcher to analyze the data. The findings of the study suggests that the trend of cash flow generated from all three activities of Reliance Power Limited is very fluctuating compared to Tata Power Limited. The Research paper concludes that the performance of Tata Power Limited is better than Reliance Power Limited for the cash flow statement analysis.

Keywords: Cash Flow Statement, Operating activities, Investing activities, Financing activities

INTRODUCTION

The Cash is considered as the sole of any business activity. That's why the company's financial statements includes a statement which shows company's cash inflow and outflow. It is called as cash flow statement. It has become mandatory for companies to present the cash flow statement of every year in their financial statements under the companies act 2013. It focuses on the movement of cash and cash equivalents of the business during a particular year. It is important for evaluating company's ability to generate cash. To ascertain the liquidity and solvency position of a company, the analysis of cash flow statement is very important. As per the AS 3, the cash flow statement is divided into three categories : cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

RESEARCH GAP

The review of literature indicates that most of comparative study of cash flow statements are done on companies from cement industry and different banks. This study focuses on comparative study of cash flow statement of selected companies of Power industry.

RESEARCH METHODOLOGY

Literature Review :

(Singh, 2021) has written a research paper to determine the trend of operating, investing and financing activities of HUL and ITC Ltd. The researcher has collected data from secondary sources only for the three consecutive years from 2018-19. Statistical tools of dispersion-mean and central tendency, standard deviation and co-efficient of variation have been applied by the researcher. The researcher concluded that the ITC Ltd. is performing better than HUL. Moreover, it is also concluded that ITC Ltd has better consistency than HUL in generating cash flows.

(Nidhi Varshney, 2016) In this paper, a comparative study of cash flow statement of two banks: Bank of Baroda and Syndicate Bank has been carried out by the researcher. The researcher has collected data of period from 2011-12 to 2015-16. The statistical tools like mean, standard deviation and Co- variance has been used by the researcher. With the analysis of data, it is concluded that the performance of BOB is better than Syndicate Bank. (Kalpesh Gelda, 2014) written a paper of comparative study of cash flow statements of Meghmani Chemicals Limited and Clariant Chemicals Limited. The researcher has collected data from 2011-12 to 2016-17. Based on overall consistency, the researcher concluded by analyzing the data that the Clariant Chemicals Ltd performed better than Meghmani Chemicals Ltd. (htt25) (htt26)

Objectives of the study :

- To analyse the cash flow statement of selected power sector companies.
- To make comparative analysis of cash generated from operating, investing and financing activities of selected companies during the study period.

Hypotheses of the study :

H₀₁ : There is no significant difference in cash flow generated from operating activities of Tata Power Limited and Reliance Power Limited during the study period.

H₀₂ : There is no significant difference in cash flow generated from investing activities of Tata Power Limited and Reliance power Limited during the study period.

H₀₃ : There is no significant difference in cash flow generated from financing activities of Tata Power Limited and Reliance Power Limited during the study period.

Sample of the study :

For the research purpose, The Tata Power Limited and Reliance Power Limited are companies which are selected by the researcher from power sector industry.

Period for the study :

The researcher has collected the data of last five years from 2017-18 to 2021-22 for comparative analysis of cash flow statements of Tata Power Limited and Reliance Power Limited.

Data Collection :

The researcher has collected the data based on secondary sources. The researcher has used various websites, publications and annual reports of selected companies to collect the data.

Data Analysis :

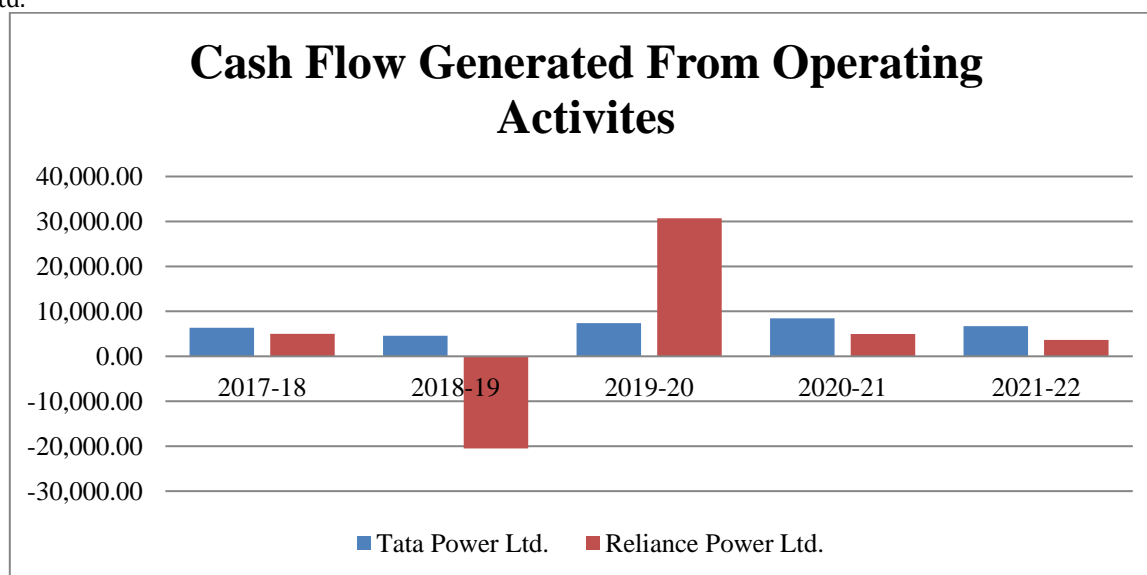
The following table shows the cash generated from operating, investing and financing activities of Tata Power Limited and Reliance Power Limited.

Particular	Cash generated from Operating activities		Cash generated from Investing activities		Cash generated from Financing activities	
	Tata Power Ltd.	Reliance Power Ltd.	Tata Power Ltd.	Reliance Power Ltd.	Tata Power Ltd.	Reliance Power Ltd.
2017-18	6,363.85	4,992	(1,517.86)	11,114	(4,726.26)	29,722
2018-19	4,573.79	(20,519)	(319.24)	(22,632)	(5,184.45)	(3,677)
2019-20	7,375.32	30,718	(542.92)	(26,709)	(5,109.57)	(4,619)
2020-21	8,458.01	4,964	667.60	(738)	(7,602.88)	(4,217)
2021-22	6,692.73	3,631	(6,276.57)	766	(1,183.20)	(4,257)

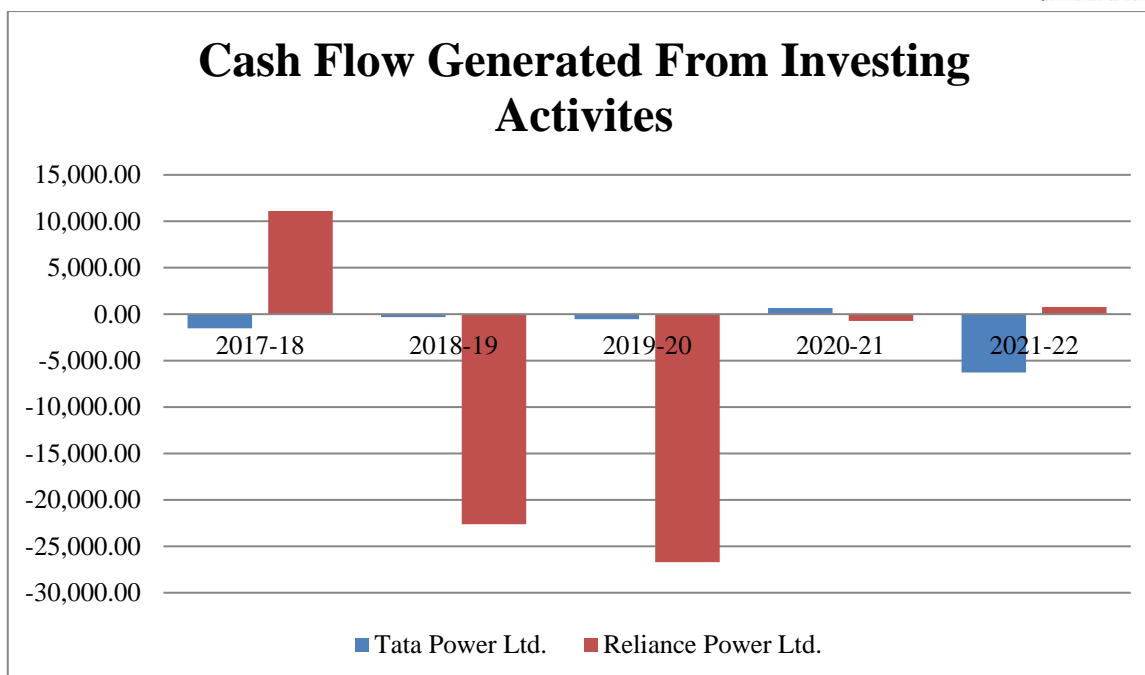
Tools and Techniques :

Graphical Presentation :

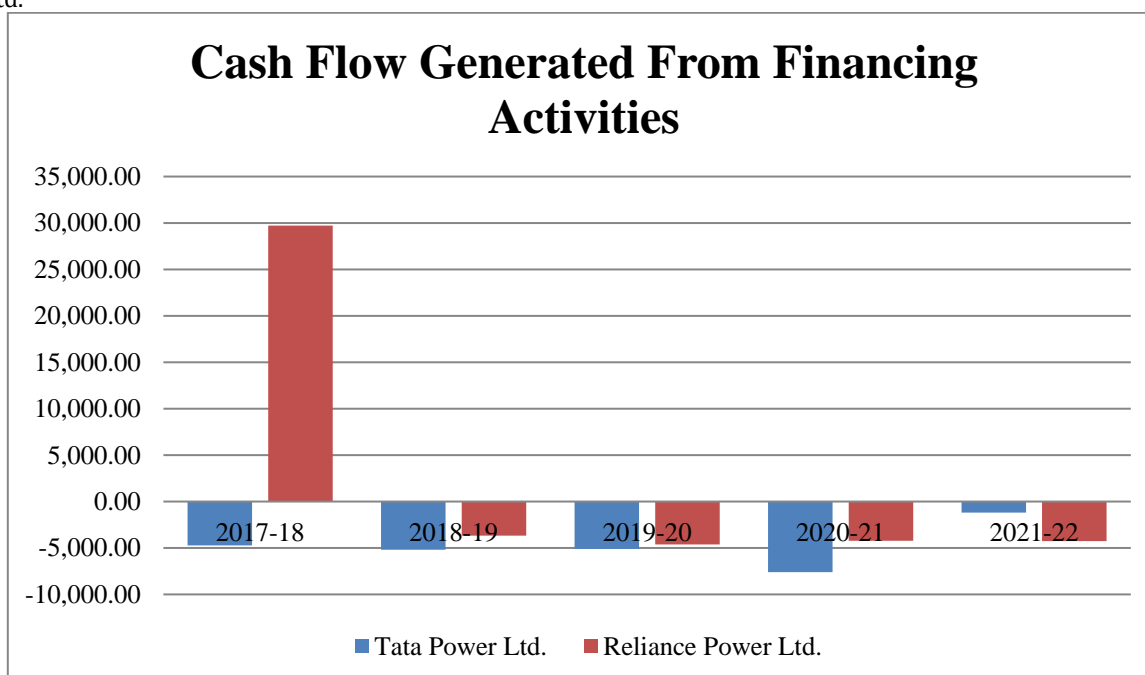
Graphical presentation of cash flow generated from operating activities of Tata Power Ltd. and Reliance Power Ltd.



Graphical presentation of cash flow generated from investing activities of Tata Power Ltd. and Reliance Power Ltd.



Graphical presentation of Cash flow generated from financing activities of Tata Power Ltd. and Reliance Power Ltd.



From the analysis of the graphical presentation of cash flow statement analysis of operating activities, investing activities and financing activities says that the performance of Tata power limited company is stable comparing to reliance power limited company. The performance of reliance power limited is very fluctuating during the study period.

t-test : two sample for means

t test	Operating activities		Investing activities		Financing activities	
	Tata Power Ltd.	Reliance Power Ltd.	Tata Power Ltd.	Reliance Power Ltd.	Tata Power Ltd.	Reliance Power Ltd.
Mean	6692.74	4757.2	-1597.798	-7639.8	-4761.272	2590.4
Variance	2045052.84	328553911.7	7444200.94	264599445.2	5294738.05	230151762.8
Observations	5	5	5	5	5	5
Hypothesized Mean	0		0		0	

Difference					
df	4		4		4
t Stat	0.23803258		0.81911819		-1.0713342
P(T<=t) one-tail	0.41177600		0.22935744		0.1721782
t Critical one-tail	2.13184678		2.13184678		2.13184678
P(T<=t) two-tail	0.82355200		0.45871488		0.34435656
t Critical two-tail	2.77644510		2.77644510		2.77644510

ANALYSIS

The mean of cash flow generated from operating and investing activities of Tata Power Limited is higher than Reliance Power Limited. Theoretically, higher the mean, higher the rank will be given. So in the case of operating activities and financing activities, rank 1 is given to Tata Power Limited and rank 2 is given to Reliance Power Limited while in case of financial activities rank 1 is given to Reliance Power Limited.

Summary of two sample t-test :

	Operating activities	Investing activities	Financing activities
t-test	0.238032583	0.819118196	-1.071334287
t-critical value	2.776445105	2.776445105	2.776445105
Hypotheses accepted/Rejected	Accepted	Accepted	Accepted

FINDINGS

From the above table, it is observed that the calculated value of t-test of cash flow generated from operating activities is 0.24 which is less than the table value 2.78. So that the null hypothesis is accepted which means that there is no significant difference in cash flow generated from operating activities of Tata Power Limited and Reliance Power Limited during the study period.

For cash flow generated from investing activities, The calculated value of t test is 0.82 which is less than the table value 2.78, the null hypothesis is accepted. It means that there is no significant difference in cash flow generated from investing activities of Tata Power Limited and Reliance Power Limited during the study period. From the table, it is also clear that the calculated value of t test of cash flow generated from financing activities is -1.07 which is less than the table value 2.78. Therefore, the null hypothesis is accepted which means that there is no significant difference in cash flow generated from financing activities of Tata Power Limited and Reliance Power Limited during the study period.

LIMITATIONS OF THE STUDY

- The study has been carried out for the period of five years. Further study can be conducted for seven or ten financial years.
- The study is based on secondary data collection method and it has its own limitations.
- The study analyze the cash flow statement of two selected companies of power industry. So the analysis of research work applies only on companies of power industry.

CONCLUSION

From the data analysis and interpretation, it is concluded that in case of cash flow generated from operating activities and investing activities, the performance of Tata Power Limited is better than Reliance Power Limited as the average of Tata Power Limited is higher while the variance is lowest. Contrary to it, in the case of financing activities, the performance of Reliance Power Limited is better. Based on analysis of variance, the performance of Tata Power Limited is better. So overall performance of Tata Power Limited is better than Reliance Power Limited.

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