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# An Empirical Study on Short-Term Financial Efficiency and Cash Flow Management of Fathima Engineering Company Private Limited

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## Abstract

*The present study focuses on the short-term financial efficiency and cash flow management of Fathima Engineering Company Private Limited. Effective management of liquidity, receivables, payables, and cash flow is essential for maintaining operational efficiency and financial stability in an organization. The study aims to analyze the short-term financial efficiency and liquidity position of the company and to examine the efficiency of cash flow, receivables, and payables management during the study period from 2021–2022 to 2024–2025. The study is analytical in nature and is based entirely on secondary data collected from the company's balance sheets, profit and loss accounts, annual reports, and other financial records. Financial tools such as Ratio Analysis, Comparative Balance Sheet Analysis, Trend Analysis, Cash Flow Statement Analysis, and Cash Conversion Cycle Analysis were used for evaluating the company's financial performance. The findings of the study indicate fluctuations in liquidity position, cash flow management, receivables, and current liabilities during the study period. The company showed growth in business activities along with increased financial obligations. The study concludes that the overall financial position of the company is satisfactory, but effective management of liquidity and working capital components is necessary for improving financial efficiency and operational performance*

**Keywords:** Cash Conversion Cycle, Cash Flow Management, Fathima Engineering Company Pvt. Ltd, Liquidity Management, Ratio Analysis, Short-Term Financial Efficiency, Working Capital Management

## Introduction

Short-term financial efficiency and cash flow management play a vital role in determining the operational performance and financial stability of an organization. Efficient management of current assets and current liabilities helps a company maintain adequate liquidity, ensure smooth day-to-day operations, and meet its short-term

financial obligations without difficulty. In every business organization, especially in engineering and construction-related industries, effective management of receivables, payables, inventory, and cash resources is essential for maintaining operational continuity and achieving long-term growth. Liquidity position refers to the ability of a company to meet its short-term liabilities using its current assets. A sound liquidity position improves the confidence of investors, creditors, suppliers, and other stakeholders. At the same time, improper management of working capital components may lead to cash shortages, delayed payments, increased borrowing, and financial instability. Therefore, maintaining a proper balance between liquidity and profitability has become one of the major financial objectives of business organizations. Cash flow management is another important aspect of financial management that focuses on the inflow and outflow of cash within the organization. Proper management of cash flow ensures the availability of sufficient funds for operational activities, payment of liabilities, and future investments. Efficient receivables and payables management also contribute significantly to improving cash flow position and overall financial efficiency. The present study focuses on Fathima Engineering Company Private Limited and examines its short-term financial efficiency, liquidity position, and cash flow management during the study period from 2021–2022 to 2024–2025. The study evaluates the company's financial performance using various analytical tools such as Ratio Analysis, Comparative Balance Sheet Analysis, Trend Analysis, Cash Flow Statement Analysis, and Cash Conversion Cycle Analysis. The study helps in understanding the effectiveness of the company's financial management practices and provides suggestions for improving liquidity and operational efficiency.

### **Review of Literature**

Several studies have examined the relationship between liquidity management, working capital efficiency, and financial performance in manufacturing and industrial organizations. Chamma and Hijazi (2025) observed that effective receivables and cash management improve liquidity position and support better operational efficiency. Riku, Hassan, and Samson (2024) found that liquidity indicators such as current ratio, quick ratio, and cash conversion cycle significantly influence the financial performance of manufacturing companies. Similarly, Sudiyatno and Suwanti (2022) emphasized that proper liquidity management plays an important role in balancing profitability and financial stability within organizations. Recent studies also highlighted the importance of efficient cash flow and working capital management in maintaining organizational performance. Nam and Tuyen (2024) stated that adequate liquidity improves financial efficiency and reduces financial risk in business organizations. Wang (2024) explained that companies with strong liquidity planning and cash management practices are able to maintain better financial stability and operational continuity. These studies indicate that financial efficiency, liquidity management, and cash flow control are essential for sustainable growth and effective financial performance.

### **Research Gap**

Most previous studies focused mainly on general liquidity and profitability analysis of large manufacturing companies. Very limited studies have analyzed the short-term financial efficiency, liquidity position, and cash flow management of individual engineering companies using multiple financial tools together. Therefore, the present study attempts to fill this gap by conducting a detailed financial analysis of Fathima Engineering Company Pvt. Ltd. using ratio analysis, comparative balance sheet analysis, trend analysis, cash flow statement analysis, and cash conversion cycle analysis.

### Objectives of the Study

- To analyze the short-term financial efficiency and liquidity position of Fathima Engineering Company Private Limited.
- To examine the efficiency of cash flow, receivables, and payables management in the company.
- Research Methodology

The present study is analytical in nature and is based entirely on secondary data. The data required for the study were collected from the audited balance sheets, profit and loss accounts, annual reports, company records, and official documents

### Data Analysis and Interpretation Ratio Analysis

Current Ratio of Fathima Engineering Company Private Limited for the study period from 2021– 2022 to 2024–2025. The study focuses on analyzing the short-term financial efficiency, liquidity position, and cash flow management of the company. Various financial and analytical tools were used for evaluating the financial performance and operational efficiency of the organization. The tools used for the study are: Ratio Analysis, comparative balance sheet, Trend Analysis, cash conversion cycle, cash flow statement. The collected financial data were systematically analyzed and interpreted using the above tools to evaluate the company’s liquidity position, receivables and payables management, cash flow efficiency, and overall short-term financial performance

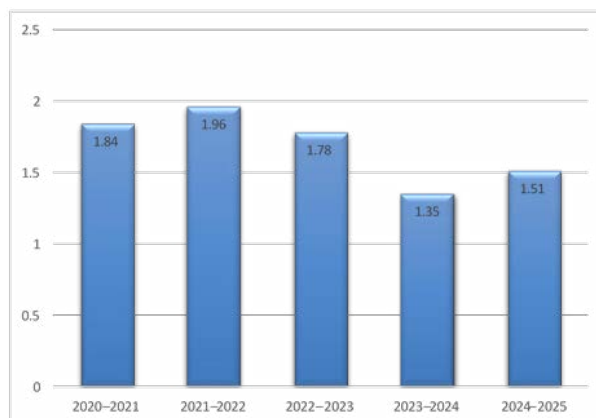
The current ratio is a financial metric used to evaluate a company’s ability to pay its short-term obligations with its short-term assets. It is calculated by dividing current assets by current liabilities. A higher current ratio indicates better liquidity position of the company.

**Table 1 Current Ratio**

Year	Current Assets (Rs.)	Current Liabilities Rs.)	Current Ratio
2020–2021	91,50,9474.17	49,46,6793.33	1.84
2021–2022	87,12,8660.70	44,22,8616.17	1.96
2022–2023	1,07,12,0284.40	60,12,5358.42	1.78
2023–2024	2,13,45,2697.20	1,57,54,9262.10	1.35
2024–2025	17,89,62,995.78	11,83,05,192.44	1.51

**Source:** Computed from the company’s Balance Sheet and Profit & Loss Account.

**Chart 1 Current Ratio**



The above table shows the current ratio of the company from 2020 to 2025. In 2020–2021, the ratio was 1.84, which increased to 1.96 in 2021–2022, indicating a strong liquidity position. However, it declined to 1.78 in 2022–2023 and further dropped to 1.35 in 2023–2024, showing a reduction in the company’s ability to meet short-term obligations. In 2024–2025, the ratio improved to 1.51, reflecting a moderate recovery in liquidity. Overall, the company maintains an adequate liquidity position, but fluctuations indicate the need for consistent management of current assets and liabilities.

### Quick Ratio

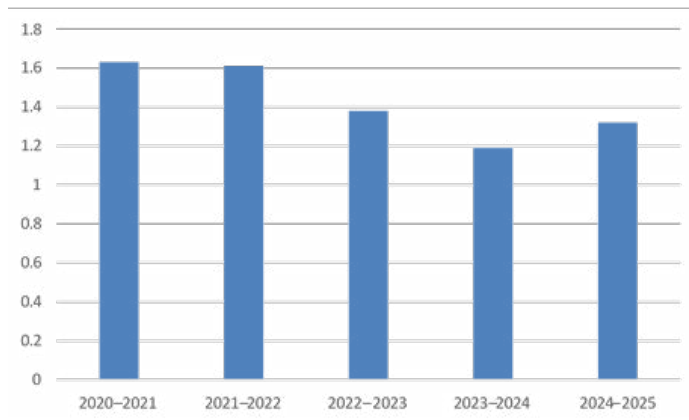
The quick ratio, also known as the acid-test ratio, is a financial metric used to measure a company’s ability to meet its short-term obligations using its most liquid assets. It excludes inventory as it is less liquid.

**Table 2 Quick Ratio**

Year	Quick Assets (Rs.)	Current Liabilities (Rs.)	Quick Ratio
2020–2021	81,07,4751.17	49,46,6793.33	1.63
2021–2022	71,40,7702.70	44,22,8616.17	1.61
2022–2023	83,18,5015.90	60,12,5358.42	1.38
2023–2024	1,89,04,1246.20	1,57,54,9262.10	1.19
2024–2025	15,67,31,955.78	11,83,05,192.44	1.32

**Source:** Computed from the company’s Balance Sheet and Profit & Loss Account.

**Chart 2 Quick Ratio**



The table shows the quick ratio of the company from 2020 to 2025. The ratio was stable between 2020–2022, indicating a strong ability to meet short-term obligations without relying on inventory. However, it declined to 1.38 in 2022–2023 and further to 1.19 in 2023–2024, showing reduced liquidity. In 2024–2025, the ratio improved to 1.32, indicating a moderate recovery. Overall, the company maintains a satisfactory liquidity position, though fluctuations suggest the need for better management of liquid assets.

### Trend Analysis

Trend analysis is used to study the movement of financial data over a period of time. It helps in identifying patterns such as growth or decline in key financial indicators like sales and profit. This analysis enables better understanding of past performance and supports future decision-making.

### Trend on Sales

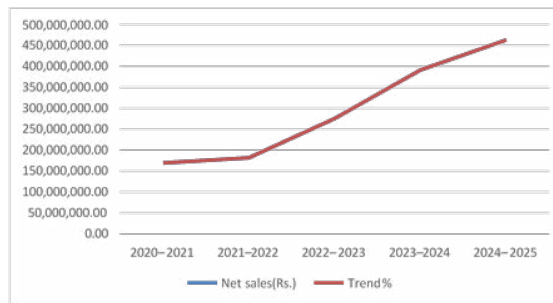
A trend in sales refers to the general direction or pattern of change in a company’s sales over a period of time. It helps in identifying whether the sales are increasing, decreasing, or remaining stable across different years. Trend analysis of sales is useful in evaluating the company’s growth performance and market demand for its products or services. By analyzing sales trends, the company can understand its past performance, forecast future sales, and make better strategic decisions regarding production, marketing, and expansion. An increasing trend indicates business growth and improved market position, whereas a decreasing trend may indicate challenges such as reduced demand or competition.

**Table 3 Trend on Sales**

Year	Net Sales (Rs.)	Trend %
2020–2021	169,777,123.00	100
2021–2022	181,924,160.41	107.1
2022–2023	275,714,862.00	162.4
2023–2024	391,721,607.18	230.7
2024–2025	463,256,440.14	272.8

**Source:** Calculated using data obtained from the company’s financial statements.

**Chart 3 Trend on Sales**



The trend analysis shows a continuous increase in sales over the years. Sales improved steadily from 2021–2022 and showed significant growth in 2022–2023 and 2023–2024. The highest sales trend is observed in 2024–2025, indicating strong business growth and improved operational performance. The lowest trend is in the base year 2020–2021.

### Trend on Profit

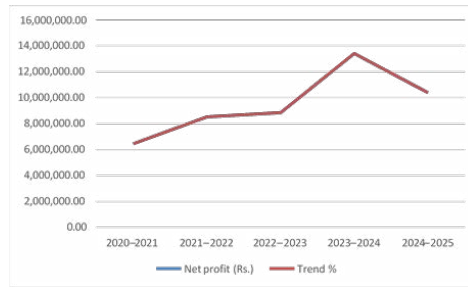
A trend in profit refers to the general pattern of change in a company’s net profit over a period of time. It helps in identifying whether the profitability of the company is increasing, decreasing, or remaining stable across different years. Trend analysis of profit is important for evaluating the company’s financial performance, operational efficiency, and overall business success. By studying profit trends, management can understand how effectively the company is controlling costs and generating revenue. An increasing trend in profit indicates improved efficiency, better cost management, and strong business performance, whereas a declining trend may indicate rising expenses, reduced sales, or operational inefficiencies. Therefore, analyzing profit trends helps in decision-making, planning future strategies, and ensuring long-term financial stability.

**Table 4 Trend on Profit**

Year	Net profit (Rs.)	Trend %
2020–2021	6,447,734.78	100
2021–2022	8,525,679.82	132.2
2022–2023	8,847,626.34	137.2
2023–2024	13,410,094.50	208.0
2024–2025	10,384,479.72	161.0

**Source:** Calculated using data obtained from the company’s financial statements

**Chart 4 Trend on profit**



The profit trend shows an overall increasing pattern with some fluctuations. Profit increased significantly from 2021–2022 to 2023–2024, reaching its highest level in 2023–2024. However, in 2024–2025, profit slightly declined compared to the previous year, though it remains higher than earlier years. The lowest profit trend is observed in the base year 2020–2021.

**Findings**

The current ratio and quick ratio of the company showed a declining trend in recent years, indicating a reduction in liquidity position. Inventory levels were controlled effectively during the study period, reflecting improved inventory management efficiency. The return on assets ratio declined gradually, showing reduced efficiency in utilization of company assets. The debt-to-equity ratio increased in recent years, indicating higher dependence on borrowed funds. The profit margin ratio remained relatively stable, showing consistency in profitability and operational performance. Trend analysis indicated overall growth in sales and profit over the years. Overall, the company maintained a satisfactory short-term financial position during the study period.

**Suggestions**

The company should strengthen its liquidity position by maintaining adequate current assets. Effective receivables and cash flow management practices should be adopted to improve cash inflow efficiency. The organization should focus on better utilization of assets to improve operational profitability. Dependence on borrowed funds should be reduced to maintain long-term financial stability. Proper inventory management techniques should be continued to avoid excess stock and unnecessary capital blockage. The company should maintain a balance between liquidity and profitability for sustainable financial performance. Regular monitoring of financial ratios and working capital components should be carried out for better financial decision-making.

## Conclusion

The present study analyzed the short-term financial efficiency, liquidity position, and cash flow management of Fathima Engineering Company Private Limited using various financial tools such as ratio analysis, trend analysis, cash flow statement analysis, and cash conversion cycle analysis. The findings revealed that the company maintained a satisfactory financial position during the study period, despite certain fluctuations in liquidity and increased dependence on borrowed funds. The study also indicated growth in sales, profitability, and operational activities, reflecting the company's expanding business performance. Overall, the organization possesses adequate financial capability to manage its short-term obligations and maintain operational stability. Proper liquidity management, effective cash flow control, and efficient working capital management can further strengthen the financial performance and sustainability of the company in future years.

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