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## A Study On Cash Flow Analysis In Steril-Gene Life Science Ltd

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### ABSTRACT

This study aims to evaluate the cash flow performance of Steril-Gene Life Sciences over a five-year period by analysis cash inflows and outflows across operating, investing, and financing activities. Cash flow analysis provides critical insights into the company's liquidity position, financial stability, and overall operational efficiency—especially vital in the intensive pharmaceutical industry. The research utilizes ratio analysis, comparative balance sheets, and correlation testing to interpret financial trends and interdependencies between key indicators such as current ratio, quick ratio, debt-equity ratio, and net profit. Findings reveal a declining trend in liquidity ratios, suggesting short term financial strain, despite a significant improvement in capital structure as reflected by the steady decrease in the debt-equity and debt-to-asset ratios. The company's net profit ratio displayed high volatility, pointing to inconsistent earnings performance. Notably, a strong and statistically significant positive correlation was found between the current ratio and debt-equity ratio, indicating a link between liquidity improvement and equity infusion.

**Key word:** Financial Performance, Comparative Balance Sheet, Ratio Analysis, Correlation Analysis

### I INTRODUCTION:

Cash flow analysis is the process of examining a company's inflows and outflows of cash over a specific period. It provides a clear picture of how well an organization manages its cash position, ensuring that it has enough liquidity to meet short-term obligations and support long-term investments. The analysis is typically based on three main activities: operating, investing, and financing. Cash from operating activities includes transactions related to the core business, such as receipts from sales and payments to suppliers or employees. Investing activities involve cash used in or generated from purchasing or selling long-term assets like machinery or investments.



## II REVIEW OF LITERATURE:

Chen Eric Zhang (2025) explored the limitations of two widely-used valuation methods—the Dividend Discount Model (DDM) and the Free Cash Flow to the Firm (FCFF) model—through a case study of Shandong Hi-speed Company. His findings highlight that although these models provide useful insights into business valuation, they are constrained by challenges in estimating the cost of capital, predicting future cash flow growth, and assessing financial performance. Complementing this, Lijun Wei (2025) focused on cash flow management in the ship financing leasing sector. Wei developed a Net Cash Flow (NCF) measurement model to identify and assess various operational and market risks, offering strategic recommendations to mitigate those risks and ensure sustainable financial performance. Both studies emphasize the crucial role of accurate cash flow forecasting in supporting sound financial decision-making across different industries.

## III OBJECTIVE OF THE STUDY

### Primary objective:

A study on cash flow analysis in steril gene life science

### Secondary objective:

- a. To identify and analyze trends in cash flows from operating, investing and financing activities over the selected period.
- b. To evaluate changes in cash inflow and outflow patterns and their relationship with profit generation.
- c. To compare and contrast the cash flow trend performance of selected pharmaceutical manufacturing firms.

## IV RESEARCH METHODOLOGY

The study employed the following financial tools and methods for data analysis:

- **Ratio Analysis:** Used to assess the company's financial performance and stability.
  - **Current Ratio** – to evaluate liquidity
  - **Quick Ratio** – to assess immediate short-term solvency
  - **Net Profit Ratio** – to measure profitability
  - **Debt-to-Equity Ratio** – to examine the capital structure

### Debt-to-Assets Ratio-

- **Comparative Balance Sheet Analysis:** Used to compare financial positions year-on-year and determine the trend in assets, liabilities, and equity.
- **Correlation Analysis:** Applied to explore statistical relationships between liquidity and capital structure indicators.

## V ANALYSIS AND INTERPRETATION

### Ratio analysis:

Ratio analysis is a method of evaluating a company's financial performance by examining the relationships between different items on its financial statements. It involves calculating various ratios to assess aspects like profitability, liquidity, solvency, and efficiency. These ratios provide insights into a company's financial health and help in making informed decisions.

### Comparative Balance Sheet:

A comparative balance sheet is a financial statement that presents a company's financial position (assets, liabilities, and equity) at two or more points in time, typically consecutive fiscal years, to facilitate comparison and analysis of financial changes and trends.

### Correlation:

Correlation is a statistical measure that describes the relationship between two variables, indicating how one variable moves in relation to another. If both variables increase or decrease together, the correlation is positive; if one increases while the other decreases, the correlation is negative.

S.no	Tools Used	Variables Analysed	Result
1	Current Ratio	Current assets vs Current Liabilities (2019-2024)	Ratio 1.2 to 0.85
2	Quick Ratio	Quick ratio vs current liabilities (2019-2024)	Ratio 1.0 to 0.4
3	Debt-to-Equity	Total debt vs Shareholder's debt (2019-2024)	Ratio 12.04 to 0.7
4	Debt-to-Asset	Total debt vs Debt Asset (2019- 2024)	Ratio 0.7 to 0.3
5	Net Profit Ratio	Net profit after tax vs Net Sales (2019-2024)	Fluctuated: -24.5 to 8.78

6	Comparative Balance Sheet	Year-on-Year Assets vs Liabilities (2019 - 2024)	
7	Correlation	Current Ratio vs Debt-to- Equity Ratio	R=0.8

## VI FINDINGS:

- The current ratio and quick ratio show a consistent decline over five years, dipping below the standard benchmark of 1.0 in recent years, indicating weak short-term liquidity and potential challenges in meeting immediate liabilities
- The debt-to-equity ratio has significantly decreased from 12.04 to 0.7, reflecting a strong improvement in capital structure, likely due to increased equity and/or repayment of debt.
- The debt-to-asset ratio also declined from 0.7 to 0.3, suggesting that the company is financing more of its assets through equity rather than debt, enhancing financial stability.
- The net profit ratio fluctuated widely, showing volatility and inconsistent earnings performance, with some years reflecting losses and others showing temporary spikes in profitability.
- Sharp increase in debt and reserves. Asset growth due to capital investments 2019-2020
- 24.6% asset growth. Equity infusion, but reserves fell. Increased short-term borrowings 2020-2021
- Moderate growth. Heavy investment in capital work-in-progress. Lower retained earnings 2021-2022
- Mixed movement. Sharp drop in non-current liabilities; higher tax liabilities 2022-2023.
- 26.8% assets growth. Strong capital investments. Decline in cash holdings despite expansion 2023-2024.
- A strong positive and significant correlation ( $r = 0.892$ ,  $p = 0.042$ ) was observed between current ratio and debt-to- equity ratio, suggesting that improved liquidity is often accompanied by increased equity financing.

## VII SUGGESTIONS:

- The company should tighten receivables management, reduce inventory holding costs, and monitor working capital cycles to improve current and quick ratios.
- Continue efforts to reduce reliance on debt financing while maintaining adequate leverage to support growth without risking financial strain.
- Identify and control operational inefficiencies or cost leakages that may be causing profit ratio volatility.

## VII CONCLUSION:

The financial analysis of Steril-Gene Life Sciences over five years reveals a company in transformation and expansion, with clear progress in reducing leverage and improving its capital structure. However, liquidity challenges and profitability inconsistencies pose critical concerns. While strategic investments suggest long-term growth ambitions, short-term financial health, particularly liquidity, must be closely monitored. Correlation results reinforce the need for integrated financial planning, where improvements in one area (like equity infusion) are linked to gains in liquidity. With targeted financial discipline and operational efficiency, Steril-Gene can strengthen its market position and sustainably achieve its expansion goals.

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