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A STUDY ON CASH MANAGEMENT AT TIFSCO PVT LTD.,

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INTRODUCTION

Cash, the undeniable lifeblood of any business, underpins its daily operations, future growth, and overall financial health. Effective cash management practices ensure a company's ability to meet its financial obligations, seize opportunities, and navigate economic uncertainties. This research project delves into the multifaceted world of cash management, analyzing its core principles, exploring its objectives, and evaluating its impact on a company's success. At its core, cash management strives to strike a delicate balance between maintaining adequate liquidity and maximizing profitability. Holding excessive cash reserves ensures smooth operations and the ability to meet short-term liabilities. However, this idle cash represents lost earning potential. Conversely, holding insufficient cash reserves can lead to missed opportunities, payment delays, and potential financial distress. Understanding the factors that influence this balance is crucial for developing effective cash management strategies. Financial theory has identified several key motives for holding cash, each with its own implications for management. The transaction motive necessitates maintaining a cash buCash management, though seemingly straightforward, is a complex and critical function for businesses of all sizes. By understanding the motives for holding cash, aligning objectives with strategies, and utilizing innovative tools, companies can optimize their cash flow and unlock new avenues for growth and success. This research project aims to contribute to a deeper understanding of cash management and its role in driving overall financial well-being.ffer to meet daily operational needs. The precautionary motive focuses on holding cash reserves to mitigate unforeseen events or fluctuations in cash inflows. Finally, the speculative motive involves strategic cash holdings to take advantage of profitable investment opportunities. Analyzing a company's specific industry, risk profile, and growth objectives allows for a tailored approach to balancing these motives. Effective cash management prioritizes several key objectives. Maximizing liquidity ensures the ability to meet current obligations without disruption. Optimizing cash balances minimizes idle cash reserves, thereby maximizing potential returns from alternative investments. Accelerating collections through efficient receivables management ensures timely inflows of cash. Streamlining payments by optimizing disbursement processes reduces unnecessary costs and ensures efficient cash utilization. Finally, forecasting cash flows with accuracy allows for proactive planning and mitigates the risk of shortfalls. Strong cash management practices significantly contribute to a company's financial performance. Improved liquidity fosters business continuity and financial stability. Efficient cash utilization reduces dependence on external financing and improves profitability. Additionally, proactive cash flow management allows companies to capitalize on advantageous investment opportunities, further enhancing shareholder value. This research project will explore cash management practices in detail. It will examine various techniques for forecasting cash flows, managing receivables and payables, and optimizing short-term investments. The study will also delve into the impact of technological advancements on cash management practices. Additionally, the research will analyze the effectiveness of cash management strategies across different industries and company sizes.

OBJECTIVES OF THE STUDY

- To evaluate the current practices of the existing cash management strategies.
- To analyze the cash flow dynamics for the target entities.
- To enhance overall financial health.
- To identify relevant developments and best practices in cash management.
- To study and analyze the financial performance of the company.

NEED FOR THE STUDY

- To assess the effectiveness of the current cash management practices.
- To have a clear picture of cash inflows and outflows.
- To identify potential cashflow gaps and to avoid shortfalls.
- To identify optimal cash balance and to invest any surplus funds.
- To make informed decisions about investments in cash management.

SCOPE OF THE STUDY

- This study helps to study short term financial decisions.
- This study helps to meet routine cash requirements to finance the transactions.
- This study could reveal successful strategies or business model.
- This study Explores the role of technology in enhancing cash flow forecasting through automation and data analytics.
- This study helps to know the liquidity position of the firm.

REVIEW OF LITERATURE

Mustapher Faque (2020) Cash management strategies and firm financial performance Cash(liquidity) management is at the heart of a firm's financial management. It is a silver lining between the bankruptcy and the success story of a company. Management practices such as stochastic cash management model, speeding up cash collections, centralization & decentralization of management, asset portfolio diversification, and cash disbursement are discussed. The study suggests that a sound financial performance can be achieved through a hybrid approach and through adaptation and embracing innovations in cash management systems.

Kayode O. Bankole (2018) The Rationale for Entity Cash Management: An Empirical Study The study was conducted to examine the rationale for entity cash management in Nigeria. We examined 50companies quoted in the Nigerian Stock Exchange over 22 years from 1995 through 2016. The analysis was done by the use of Ordinary Least Square Method From the correlation matrix, cash holding level is positively related to cash flow variability, company size, growth opportunity, investment in fixed assets, leverage, return on assets and net working capital Cash holding depends on leverage and net working capital. Companies maintain much cash to be able to reduce the debt ratio or meet urgent demand for repayment of debts.

Michelle Haavig (2019) Cash Management Str Cash Management Strategies to Improve the Sustainability of the Sustainability of Small Tavern Businesses. Small business operations play a significant economic role in developed economies, yet in the United States, approximately 50% of small businesses fail within the first 5 years of operation. Three themes emerged from data analysis: cash management capabilities, internal controls and employee accountability, and cash management opportunities. The findings of this study may contribute to positive social change by improving the ability of leaders of small businesses to increase job availability and contribute to economic stability in communities, thereby improving local and regional economies and enhancing the standard of living for individuals and households.

Richard A. Price (2012), This instructional case illustrates how Amazon strategy has evolved over time and how these characteristics are reflected in the financial statements. A particular emphasis is placed on the cash flow statement and examine its articulation with the other financial statements. Students create a direct method cash flow statement in the year of Amazon's initial public offering using the information available in the financial statements.

Kalpes Hgelda (2015) A cash flow statement is required as part of a complete set of financial statements prepared in conformity with Indian Accounting Standards. AS-3 lays down a formal structure for the cash flow statement. Cash flows should be classified under the following three standard headings: "Operating activities" "Investing activities"

"Financing activities". The classification of cash flows among operating investing and financing activities is essential to the analysis of cash flow data. Net cash flow (the change in cash and equivalents during the period) has little informational content by itself; it is the classification and individual components that are informative. Although the classification of cash flows into the three main categories is important it should be mentioned that classification guidelines are arbitrary.

RESEARCH METHODOLOGY

INTRODUCTION

Research methodology refers to the overall plan for conducting your research. It outlines the framework for how you will collect, analyze, and interpret data to answer your research questions or test your hypothesis. This involves selecting the broad approach you'll take to structure your study.

RESEARCH DESIGN

The proposed study is of ANALYTICAL STUDY. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible. This is a type of research where the researcher uses the facts or the information already available and analyses these to make a critical evaluation of the material.

NATURE OF DATA

SECONDARY DATA

Secondary data refer to information gathered to someone other than the researcher conduction the current study. It can be internal or external to organization and accessed through the internet or perusal of recorded or published information.

The data are collected from the annual report, mainly balance sheet, income and expenditure and other brochures of the company.

TOOLS USED FOR THE STUDY

RATIO ANALYSIS

- Cash ratio
- Cash to sales ratio
- Cash to current assets ratio
- Cash to total assets ratio
- Cash to fixed assets ratio
- Current ratio

CASH RATIO

Cash Ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents. Since these two accounts are a large part of many companies, the ratio should not be used in determining company value , but simply as one factor in determining liquidity.

Cash Ratio = Cash / Current Liabilities

CASH TO SALES RATIO

This ratio which is expressed as a percentage measure of a firm's ability to convert sales into cash and an important indicator of its credit worthiness and productivity. This ratio gives the analysis and investors indication about the ability of a company to generate cash from its sales.

Cash to sales ratio = Cash / Sales

CASH TO CURRENT ASSETS RATIO

The cash to current asset ratio measures company's liquidity. It also indicates the company may be better able to convert its non-liquid assets, such as inventory into cash. It is useful for determining the proportion of cash within the current assets. It is most useful for determining ability of a company to pay off liabilities in the extremely short term.

Cash to Current Asset Ratio = Cash / Current Asset

CASH TO TOTAL ASSETS RATIO

This ratio represents the structure of assets and the amount in forms of current assets per each pound invested in assets. Current assets are important to business because they are the assets that are used to day to day operation and pay on-going experiences and include cash, amount, receivable inventory, make tables securities, prepaid expenses and other liquid assets that can be readily converted to cash.

Current Asset to Total Asset Ratio = Current Assets / Total Assets.

CASH TO FIXED ASSETS

The current Asset to fixed asset ratio measures how many current assets are bought or utilized through fixed assets. It measures the proportion between the current assets and fixed assets the company acquires. A decline in the ratio means that debtors and stocks are increased too much or fixed assets or are more intensively used. If current assets increase with the corresponding increase in profit, it will show that the business is expanding.

Current Asset to Fixed Asset Ratio = Current Asset Ratio / Fixed Asset

CURRENT RATIO

Current Ratio is the ratio of current assets of a business to its current liabilities. The current ratio measures a company's ability to pay short term debts and other current liabilities. The current ratio can also give an efficiency of a company's operating cycle or its ability to turn its product into cash. It is the most important and widely used test to find liquidity of a business. The current ratio is also known as the working capital ratio

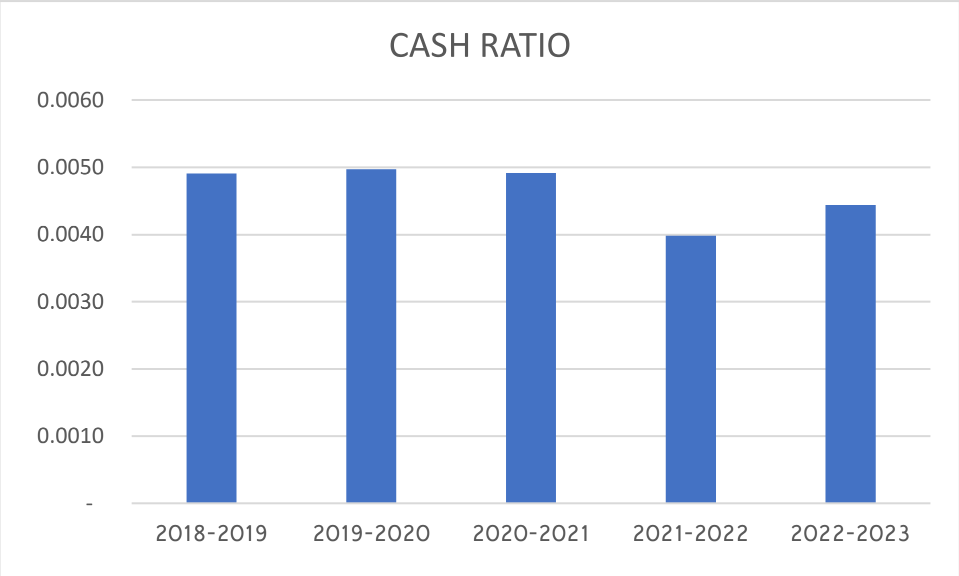
Current Ratio = Current Asset/ Current Liabilities

DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

- **CASH RATIO**

YEAR	CASH	CURRENT LIABILITIES	RATIO
2018-2019	18,754.00	38,21,423.00	0.0049
2019-2020	19,150.00	38,51,805.00	0.0050
2020-2021	18,000.00	36,65,558.00	0.0049
2021-2022	15,000.00	37,63,453.00	0.0040
2022-2023	19,000.00	42,84,948.00	0.0044

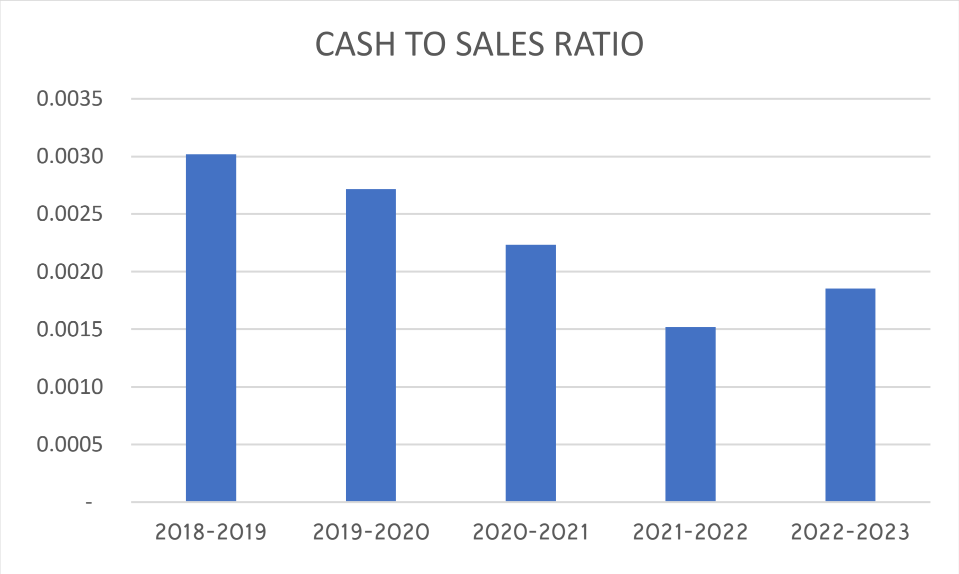


INTERPRETATION

The table showing a company's cash and current liabilities ratio for five years. The table shows the company's cash ratio has stayed below 0.01 for five years, ranging from 0.0040 to 0.0050. This suggests the company has limited cash to cover its short-term obligations, potentially indicating difficulty paying bills on time.

- **CASH TO SALES RATIO**

YEAR	CASH	SALES	RATIO
2018-2019	18,754.00	62,14,871.00	0.0030
2019-2020	19,150.00	70,48,712.00	0.0027
2020-2021	18,000.00	80,58,745.00	0.0022
2021-2022	15,000.00	98,65,472.00	0.0015
2022-2023	19,000.00	1,02,54,000.00	0.0019

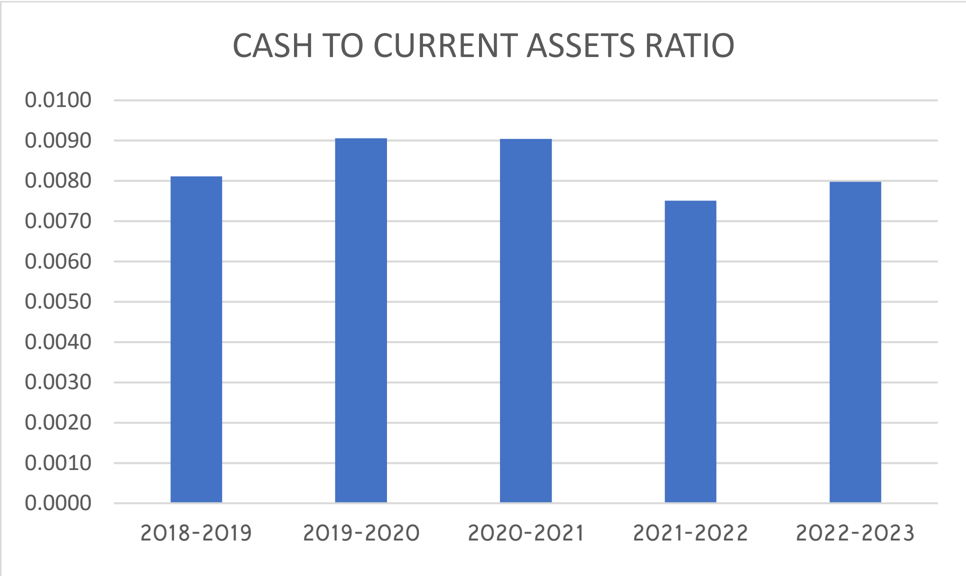


INTERPRETATION

The table showing a company's cash ratio and sales figures over five years. Over five years, the company's cash ratio has steadily declined (0.0300 - 0.0015), meaning the company has less cash relative to its sales.

- **CASH TO CURRENT ASSETS RATIO**

YEAR	CASH	CURRENT ASSETS	RATIO
2018-2019	18,754.00	23,11,617.00	0.0081
2019-2020	19,150.00	21,14,581.00	0.0091
2020-2021	18,000.00	19,90,457.00	0.0090
2021-2022	15,000.00	19,96,647.00	0.0075
2022-2023	19,000.00	23,80,948.00	0.0080

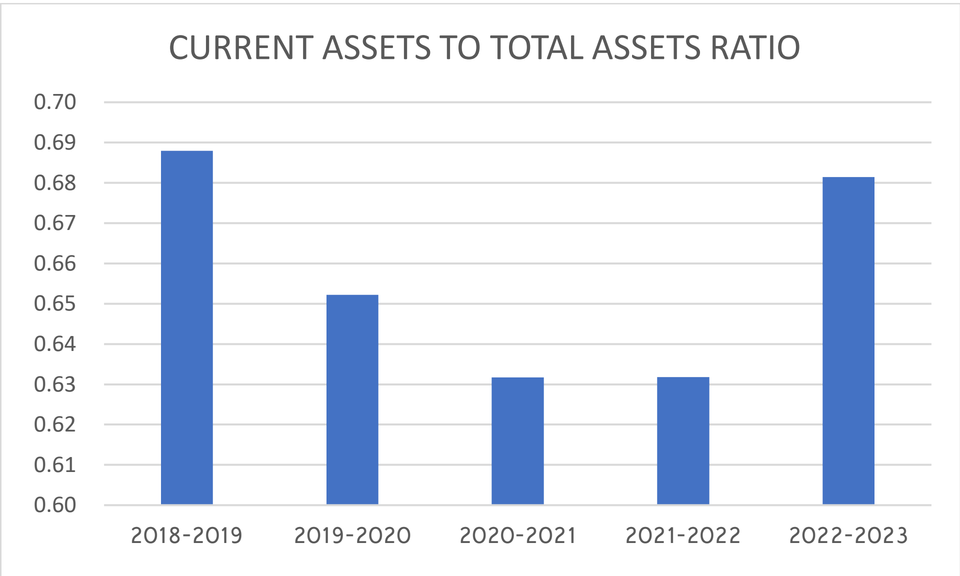


INTERPRETATION

The table shows a company's cash holding higher than its current ratio over five years. This might seem positive, but the current ratio below 1 for all five years (0.0075 - 0.0091) suggests difficulty paying short-term debts despite the cash balance.

- **CASH TO TOTAL ASSETS RATIO**

YEAR	CURRENT ASSETS	TOTAL ASSETS	RATIO
2018-2019	23,11,617.00	33,59,978.00	0.69
2019-2020	21,14,581.00	32,42,129.00	0.65
2020-2021	19,90,457.00	31,50,707.00	0.63
2021-2022	19,96,647.00	31,60,497.00	0.63
2022-2023	23,80,948.00	34,93,928.00	0.68

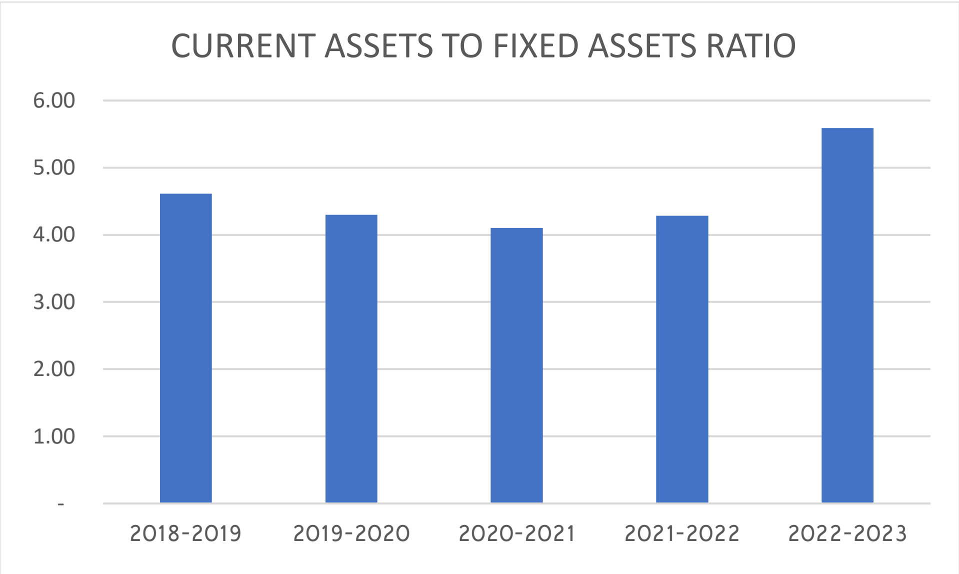


INTERPRETATION

The table showing a company's current assets and total assets over five years. While the table shows both current and total assets increasing over time, the current ratio stays below 1 for all five years, ranging from 0.63 to 0.69. This suggests the company's current liabilities are consistently higher than current assets, potentially indicating difficulty meeting short-term obligations.

- **CASH TO FIXED ASSETS RATIO**

YEAR	CURRENT ASSETS	FIXED ASSETS	RATIO
2018-2019	23,11,617.00	5,01,241.00	4.61
2019-2020	21,14,581.00	4,92,138.00	4.30
2020-2021	19,90,457.00	4,85,130.00	4.10
2021-2022	19,96,647.00	4,65,850.00	4.29
2022-2023	23,80,948.00	4,25,980.00	5.59

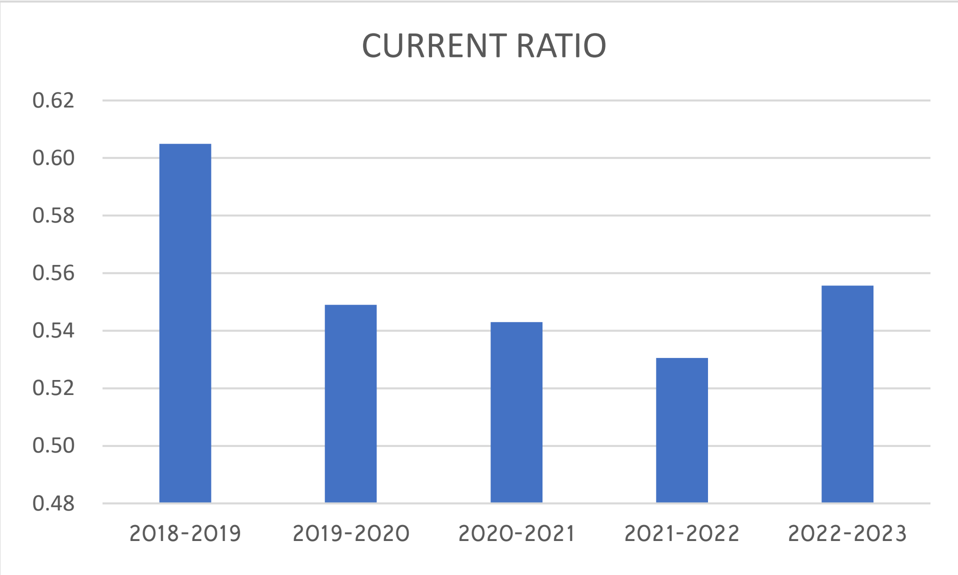


INTERPRETATION

In the table, the company's current ratio for all five years is below 1. This means that the company's current liabilities are greater than its current assets. Over five years, the ratio has ranged from 0.53 to 0.60, which suggests a persistent risk of difficulty meeting short-term obligations.

- **CURRENT RATIO**

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENTRATIO
2018-2019	23,11,617.00	38,21,423.00	0.60
2019-2020	21,14,581.00	38,51,805.00	0.55
2020-2021	19,90,457.00	36,65,558.00	0.54
2021-2022	19,96,647.00	37,63,453.00	0.53
2022-2023	23,80,948.00	42,84,948.00	0.56



INTERPRETATION

The table shows a company's current ratio below 1 for five years (0.60 - 0.56). This means current liabilities outweigh current assets, potentially indicating difficulty paying short-term debts.

CONCLUSION

This research project has delved into the multifaceted world of cash management, exploring its principles, objectives, and its profound impact on a company's financial well-being. By evaluating current practices, analyzing cash flow dynamics, and identifying relevant industry best practices, the project has shed light on the crucial role cash management plays in optimizing financial health. The research confirms that striking a balance between liquidity and profitability is central to effective cash management. Companies must maintain adequate cash reserves to meet operational needs and seize opportunities, while simultaneously minimizing idle cash that could be generating returns. The project has explored various techniques to achieve this balance, including implementing strategies to accelerate collections, streamline payments, and optimize short-term investments.

Furthermore, the research has emphasized the importance of cash flow forecasting in proactive cash management. Accurate forecasts empower businesses to anticipate potential shortfalls and make informed decisions regarding financing or investments. The project has analyzed various forecasting methods, highlighting the role of technology in enhancing accuracy and efficiency. A significant aspect of this research project has been the analysis of the impact of cash management on financial performance. The project has revealed how strong cash management practices contribute to a company's success by fostering liquidity, improving profitability, and enabling companies to capitalize on advantageous investment opportunities.

In conclusion, this research project has underscored the significance of cash management as a cornerstone of financial health. By adopting effective strategies, businesses can ensure they have the resources they need to navigate the dynamic financial landscape, achieve their strategic objectives, and ultimately unlock sustainable growth.

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